

Original Application

Regional Med Extended Care Hospital, LLC,
dba
Regional One Health Extended Care Hospital

CN1801-003



State of Tennessee

Health Services and Development Agency

Andrew Jackson Building, 9th Floor, 502 Deaderick Street, Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

2016-01-01

CERTIFICATE OF NEED APPLICATION

SECTION A: APPLICANT PROFILE

1. Name of Facility, Agency, or Institution

Regional Med Extended Care Hospital, LLC, dba Regional One Health Extended Care Hospital
Name

890 Madison Avenue, 4th Floor
Street or Route
Shelby
County

Memphis
City
TN
State
38103
Zip Code

Website address: <https://www.regionalonehealth.org/extended-care-hospital/>

Note: The facility's name and address **must be** the name and address of the project and **must be** consistent with the Publication of Intent.

2. Contact Person Available for Responses to Questions

E. Graham Baker, Jr.
Name
Attorney
Title

Anderson and Baker
Company Name
graham@grahambaker.net
Email address

2120 Richard Jones Road
Street or Route
Nashville
City
TN
State
37215
Zip Code

Attorney
Association with Owner
615-370-3380
Phone Number
615-221-0080
Fax Number

NOTE: *Section A* is intended to give the applicant an opportunity to describe the project. *Section B* addresses how the project relates to the criteria for a Certificate of Need by addressing: Need, Economic Feasibility, Contribution to the Orderly Development of Health Care, and Quality Measures.

Please answer all questions on 8½" X 11" white paper, clearly typed and spaced, single or double-sided, in order and sequentially numbered. In answering, please type the question and the response. All questions must be answered. If an item does not apply, please indicate "N/A" (not applicable). Attach appropriate documentation as an Appendix at the end of the application and reference the applicable Item Number on the attachment, i.e., Attachment A.1, A.2, etc. The last page of the application should be a completed signed and notarized affidavit.

3. SECTION A: EXECUTIVE SUMMARY

A. Overview

Please provide an overview not to exceed three pages in total explaining each numbered point.

- 1) Description – Address the establishment of a health care institution, initiation of health services, bed complement changes, and/or how this project relates to any other outstanding but unimplemented certificates of need held by the applicant;

Response: This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that Regional MED Extended Care Hospital, LLC, d/b/a Regional One Health Extended Care Hospital (“Applicant”), 890 Madison Avenue, 4th Floor, Memphis (Shelby County), Tennessee 38103, a licensed twenty-four (24) bed hospital (with six [6] additional beds approved in December, 2017) providing Long Term Acute Care Hospital (“LTACH”) services, owned by Shelby County Health Care Corporation, with the Applicant having an ownership type of Limited Liability Company and the owner having an ownership type of corporation, intends to file a Certificate of Need application for the addition of twenty-four (24) hospital beds limited to LTACH services. The requested twenty-four (24) additional beds will be housed on the 3rd floor of the existing building, and will be licensed by the Tennessee Department of Health as hospital beds. There is no major medical equipment involved with this project. No other health services will be initiated or discontinued. The estimated project cost is anticipated to be approximately \$9,000,000.00.

The contact person for this project is E. Graham Baker, Jr., Attorney, who may be reached at Anderson & Baker, 2021 Richard Jones Road, Suite 120, Nashville, TN 37215, 615/370-3380.

The Applicant has one outstanding Certificate of Need application: to add six (6) LTACH beds. However, neither the Applicant nor its owner have any other outstanding Certificate of Need applications that are approved but not yet in service.

The Applicant is approved to add six (6) LTACH beds on the 2nd floor, plus this project is to add twenty-four (24) beds on the 3rd floor. The Applicant has discussed these projects with Licensure, and both projects meet licensure standards.

The 4th floor is a discrete unit attached to but separated from the main hospital by corridors and locked doors, and both the 24 beds on the 3rd floor and the 6 beds on the 2nd floor will be likewise separated from other services on the 2nd floor.

There currently exists the CMS LTACH 25 percent threshold rule. For cost reporting periods beginning on or after July, 2007, the 25% rule requires cost reduction for LTACHs that admit more than 25% of LTACH admissions from a single general acute care hospital. This rule would only impact the reimbursement to the LTACH under a lesser payment, but would not impact the classification of the LTACH. The Bipartisan Budget Act of 2013, however, delayed application of the 25% rule, and implementation of the rule was suspended through Fiscal Year 2017 (October 1, 2016 – September 30, 2017) under the 21st Century Cures Act. In the Fiscal Year 18 Medicare Final Rule, CMS implemented a regulatory moratorium on the implementation of the 25% threshold policy through September 31, 2018. As such, there is a moratorium on the LTACH having to adhere to the 25% threshold rule at this time.

The moratorium on LTACH beds was first introduced in the Medicare, Medicaid and SCHIP Extension Act of 2007 which put into place a moratorium on the establishment of long-term care hospitals, long term care satellite facilities and on the increase of long-term care hospital beds in existing long term acute care hospitals or satellite facilities unless a noted exception was met.

The Bipartisan Budget Act of 2013 provided for an extension of the moratorium on establishment of and any increase in beds for LTACHs for the time period of January 1, 2015 – September 30, 2017.

The Protecting Access to Medicare Act of 2014, amended the time period by striking “January 1, 2015” and inserting the date of enactment of April 2014, but did not amend the end date of September 30, 2017.

Therefore, the LTACH bed moratorium expired on September 30, 2017.

For Fiscal Year 2017 (July 1, 2016 – June 30, 2017), Regional One Health referrals account for 88 of Regional One Extended Care Hospital’s discharges.

The floor plan for Turner Tower as it currently exists:

Building	Floor #	Type of Unit	Licensed Beds	Staffed Beds
Turner	4	LTACH	24	21
	3	Rehab	24	24
	2	Rehab/LTACH	6*	0
	G	Burn Unit	14	14
	B	Detention Unit	10	10
Total Beds			78	69

Note: An application was recently approved to convert these 6 rehab beds to 6 LTACH beds.

The Floor Plan for Turner Tower, if this application is approved:

Building	Floor #	Type of Unit	Licensed Beds	Staffed Beds
Turner	4	LTACH	24	21
	3	LTACH	24	24
	2	LTACH	6	0
	G	Burn Unit	14	14
	B	Detention Unit	10	10
Total Beds			78	69

If this application is approved, the applicant will eventually have a fifty-four (54) private bed LTACH located in the Turner Tower, and the twenty-four (24) rehab beds will be relocated. The decision has not been reached as to where those beds will be relocated.

2) Ownership structure;

Response: Regional Med Extended Care Hospital, LLC (“Applicant”), 890 Madison Avenue, 4th Floor, Memphis (Shelby County), Tennessee 38103, is owned by Shelby County Health Care Corporation.

3) Service area;

Response: The facility’s existing service area is primarily Shelby County, Tennessee, plus coterminous counties in Mississippi and Arkansas.

As the service being provided is very specialized, patients originate from a wide geographic area. A few of our patients originate in some of the western counties in Tennessee and Missouri and Alabama, but not enough to be included in the primary service area. As shown on Attachment B.Need.C, in 2015, approximately 83% of the Applicant’s patients from Tennessee originated from Shelby County, approximately 53% of all patients originated from Shelby County, approximately 63% of its patients originated from Tennessee and approximately 37% of its patients came from out of state. Regarding the out of state patients, about 57% originated from Mississippi, and about 40% came from Arkansas.

The approval of these beds is not expected to alter the existing service area of the Applicant.

4) Existing similar service providers;

Response: There are now only three (3) LTACH providers in Memphis, including:

30 beds at Baptist Memorial Restorative Care Hospital;
39 beds at Select Specialty Hospital (located within St. Francis Hospital); and
24 beds at the Applicant’s facility (historically, staffed for only 21 beds).

The 36 beds at Methodist have closed, and the Applicant receives patient referrals from Methodist hospital now. Additionally, Select Specialty has voluntarily surrendered a 24 bed approved CON.

5) Project cost;

Response: The estimated project cost is anticipated to be approximately \$8,731,750, including filing fee. The clear majority of these costs involve ongoing lease costs. Very little “new” resources are required for this project. The project will be integrated into an existing lease, which expires in September, 2018. While the lease does contain provisions for term renewal, the original term of the lease for this 24 bed addition is approximately one year, the lease payments for which will amount to considerably less than the FMV approximation (\$6,210,000) given in the project.

6) Funding;

Response: There is no construction, and minimal “renovation,” which entails the hanging of a sign indicating where the Applicant’s beds will be on the 3rd Floor.

7) Financial Feasibility including when the proposal will realize a positive financial margin;
and

Response: Based on the Year 1 budget projections, and assuming the project is approved and is initiated within the timeframe as indicated, the long term acute care hospital is anticipated to realize a positive cash flow in the first year following completion of the addition. We believe the additional beds will fill up quickly.

8) Staffing.

Response: The LTACH is currently staffed for 24 beds, but has been approved for an additional 6 beds. The chart below demonstrates the staffing model for both 30 and 54 beds.

Position Classification	Existing FTE 30 beds	Projected FTE (54 beds Year 1)	Avg Wage \$ (contractual rate)	Avg Wage \$ Area/State
RN	53.3	91.3	32.71	31.75
CNA	10.1	19.9	13.23	12.95
Patient Care Extern	0.5	0.9	18.69	31.75
Dir. Respiratory Care	1.0	2.0	42.52	31.75
Liaison Nurse	2.0	4.0	34.88	31.75
Lead Respiratory Therapist	1.0	2.2	29.42	31.75
Occupational Therapist	0.8	1.6	47.67	31.75
Physical Therapist	0.9	1.8	48.18	31.75
Speech Pathologist	1.0	1.9	47.44	31.75
Patient Care Coordinator	3.5	7.4	30.35	31.75
Resp Ther/RRT	10.2	20.1	24.19	31.75
Medical Assistant	2.0	3.9	13.91	12.95
Physical Ther Asst	1.1	2.2	29.88	31.75
Resp Ther Tech/Cert	1.0	2.0	23.74	31.75
Patient Serv Clerk	5.5	11.1	14.57	12.95
a. Total Direct Care	93.8	172.3		
Nursing Clin Supv	1.0	1.0	45.67	43.95
Chief Nursing Officer	1.0	1.0	58.85	43.95
Dir HIM	1.0	1.0	37.02	43.95
Case Mgr/RN	1.1	3.0	33.97	43.95
HIM Coding Spec	0.1	0.1	22.00	12.95
Admitting Coordinator	1.0	1.0	19.85	12.95
Pre-Certification Nurse	1.9	1.9	33.65	12.95
CMS Data Coordinator	1.0	1.0	19.31	12.95
Admin Secretary	0.0	0.0	16.50	12.95
b. Total Non-Direct	8.1	10.0		
Contracted Therapy				
Contracted Med Dir/Diet.				
c. Total Contractual	0.0	0.0		
Total Staff (a + b + c)	101.9	182.3		

B. Rationale for Approval

A certificate of need can only be granted when a project is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of adequate and effective health care in the service area. This section should provide rationale for each criterion using the data and information points provided in Section B. of this application. Please summarize in one page or less each of the criteria:

1) Need;

Response: The addition of twenty-four (24) beds, within a physical space layout that provides for more efficient care coordination for the hospital and patients, will permit greater access to care for this highly acute patient population with a need for an extended, acute care stay.

Being part of a health care organization that serves as a Level One Trauma Center and Regional Burn Center, Regional One Health has a need for long term acute care services within its post-acute complement. Patients with extended care needs related to ventilator management and weaning are best served in the long term care environment; with Regional One Health Extended Care Hospital demonstrating vent weaning well below the national average.

More to the point of Need for this project, Methodist Hospital closed its 36 bed LTACH recently and now refers their long term care hospital patients to the Applicant. Since the HSDA (or its predecessor, the Health Facilities Commission) originally approved that facility, it follows that the need for the twenty-four (24) beds requested in the instant application has already been positively addressed. This is especially true since Select Specialty Hospital, another LTACH in Memphis, recently (July 10, 2017) voluntarily surrendered its approved CON for an additional 24 beds. In effect, sixty (60) LTACH beds that have already been approved through the Certificate of Need process have been taken away from the inventory of needed beds in Memphis. This application, if approved, will “replace” twenty-four (24) of those beds.

2) Economic Feasibility;

Response: Regional One Health Extended Care Hospital has demonstrated successful financial outcomes within its first years of operation. It is anticipated that the addition of these twenty-four (24) beds will also realize the same success. Based on the Year 1 budget projections, assuming the project is approved and is initiated within the timeframe as indicated, the long term acute care hospital is anticipated to realize a positive cash flow in the first year. There is minimal capital outlay for the twenty-four (24) beds to be added to the LTACH, and this addition provides additional employment opportunities to the healthcare community.

3) Appropriate Quality Standards; and

Response: Regional One Health Extended Care Hospital monitors quality standards through its Quality Assessment and Performance Improvement Program as well as through mandatory Quality reporting to the State of Tennessee and the Centers for Medicare and Medicaid Services (CMS). Benchmarks regarding Core Operational Measures, Key Financial Measures and Clinical Benchmarking are currently maintained by the hospital. The additional beds would be monitored under the same program to analyze, identify and address areas which are in need of improvement.

4) Orderly Development to adequate and effective health care.

Response: While all four LTACHs in Memphis operated at approximately 85.1% utilization in 2015 (latest JARs), the Applicant is owned by the only hospital in Memphis that operates a Level One Trauma Center and a Regional Burn Center. Therefore, the Applicant facility is administratively, operationally, and physically closer to a referring facility with patients who have extended care needs. Further, one of the four LTACHS (Methodist Extended Care) closed on June 20, 2016 and all LTACH patients were discharged. The approval of this application will ensure LTACH patients continue to receive the care they need.

C. Consent Calendar Justification

If Consent Calendar is requested, please provide the rationale for an expedited review.

A request for Consent Calendar must be in the form of a written communication to the Agency's Executive Director at the time the application is filed.

Response: The Applicant is not requesting Consent Calendar.

4. SECTION A: PROJECT DETAILS

A. Owner of the Facility, Agency or Institution

Shelby County Health Care Corporation
Name

901-545-7676
Phone Number

877 Jefferson Avenue
Street or Route

Shelby
County

Memphis
City

TN
State

38103
Zip Code

B. Type of Ownership of Control (Check One)

A. Sole Proprietorship ☐

B. Partnership ☐

C. Limited Partnership ☐

D. Corporation (For Profit) ☐

E. Corporation (Not-for-Profit) ☐

F. Government (State of TN or Political Subdivision) ☐

G. Joint Venture ☐

H. Limited Liability Company ☒

I. Other (Specify) a component unit of Shelby County, TN ☒ (see below)

*Attach a copy of the partnership agreement, or corporate charter and certificate of corporate existence. Please provide documentation of the active status of the entity from the Tennessee Secretary of State's web-site at <https://tnbear.tn.gov/ECommerce/FilingSearch.aspx>. **Attachment Section A-4A.***

Describe the existing or proposed ownership structure of the applicant, including an ownership structure organizational chart. Explain the corporate structure and the manner in which all entities of the ownership structure relate to the applicant. As applicable, identify the members of the ownership entity and each member's percentage of ownership, for those members with 5% ownership (direct or indirect) interest. **Regional Med Extended Care Hospital, LLC ("Applicant"), 890 Madison Avenue, 4th Floor, Memphis (Shelby County), Tennessee 38103, is an LLC, and is 100% owned by Shelby County Health Care Corporation, a corporation.**

5. Name of Management/Operating Entity (If Applicable)

Not applicable – self-managed

Name

Street or Route

County

City

State

Zip Code

Website address: <https://murer.com/>

For new facilities or existing facilities without a current management agreement, attach a copy of a draft management agreement that at least includes the anticipated scope of management services to be provided, the anticipated term of the agreement, and the anticipated management fee payment methodology and schedule. For facilities with existing management agreements, attach a copy of the fully executed final contract. **Not Applicable.**

The Applicant was managed under contract previously, but that contract has expired. The Applicant will self-manage the facility. Dollar amounts are included on the Projected Data Charts (both Project and Total Facility) which reflect our best estimate of what it will cost the Applicant to self-manage the facility.

6A. Legal Interest in the Site of the Institution (Check One)

- | | | | |
|----------------------------|----------|--------------------|-------|
| A. Ownership | _____ | D. Option to Lease | _____ |
| B. Option to Purchase | _____ | E. Other (Specify) | _____ |
| C. Lease of <u>5</u> Years | <u>x</u> | | |

Check appropriate line above: For applicants or applicant's parent company/owner that currently own the building/land for the project location, attach a copy of the title/deed. For applicants or applicant's parent company/owner that currently lease the building/land for the project location, attach a copy of the fully executed lease agreement. For projects where the location of the project has not been secured, attach a fully executed document including Option to Purchase Agreement, Option to Lease Agreement, or other appropriate documentation. Option to Purchase Agreements **must include** anticipated purchase price. Lease/Option to Lease Agreements **must include** the actual/anticipated term of the agreement **and** actual/anticipated lease expense. The legal interests described herein **must be valid** on the date of the Agency's consideration of the certificate of need application. See Attachments A.6.A.1 and A.6.A.2.

6B. Attach a copy of the site's plot plan, floor plan, and if applicable, public transportation route to and from the site on an 8 1/2" x 11" sheet of white paper, single or double-sided. **DO NOT SUBMIT BLUEPRINTS.** Simple line drawings should be submitted and need not be drawn to scale.

- 1) Plot Plan **must include**:
 - a. Size of site (***in acres***); approximately 18.55Acres (entire hospital complex)
 - b. Location of structure on the site; Applicant located in Turner Tower
 - c. Location of the proposed construction/renovation; on plans; and (n/a)
 - d. Names of streets, roads or highway that cross or border the site. Noted
- 2) Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. On an 8 ½ by 11 sheet of paper or as many as necessary to illustrate the floor plan.
- 3) Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

Response: The facility is located on the 4th Floor of the Turner Tower. The requested beds will be located on the 3rd Floor of the Turner Tower. The site is bounded by Jefferson Avenue, N. Pauline Street, Madison Avenue, and N. Dunlap Avenue. The site is downtown Memphis, close to I-240 and is readily accessible to patients, family members, and other health care providers. Other hospitals are located nearby. This attachment also shows that other providers even own plots of land located within this block. The patient floors in Turner Tower have the same footprint, meaning that the footprint of floors 2, 3, and 4 are exactly the same, and each floor can accommodate 24 private rooms, max.

See Attachments A.6.B.1 and A.6.B.2.

7. **Type of Institution** (Check as appropriate--more than one response may apply)

- | | | | |
|--|----------|--|-------|
| A. Hospital (Specify) <u>LTACH</u> | <u>X</u> | H. Nursing Home | _____ |
| B. Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty | _____ | I. Outpatient Diagnostic Center | _____ |
| C. ASTC, Single Specialty | _____ | J. Rehabilitation Facility | _____ |
| D. Home Health Agency | _____ | K. Residential Hospice | _____ |
| E. Hospice | _____ | L. Nonresidential Substitution-Based Treatment Center for Opiate Addiction | _____ |
| F. Mental Health Hospital | _____ | M. Other (Specify) _____ | _____ |
| G. Intellectual Disability Institutional Habilitation Facility ICF/IID | _____ | | |

Check appropriate lines(s).

8. **Purpose of Review** (Check appropriate lines(s) – more than one response may apply)

- | | | | |
|---|-------|---|----------|
| A. New Institution | _____ | F. Change in Bed Complement | <u>X</u> |
| B. Modifying an ASTC with limitation still required per CON | _____ | [Please note the type of change by underlining the appropriate response: Increase , Decrease , Designation , Distribution , Conversion , Relocation] | |
| C. Addition of MRI Unit | _____ | G. Satellite Emergency Dept. | _____ |
| D. Pediatric MRI | _____ | H. Change of Location | _____ |
| E. Initiation of Health Care Service as defined in T.C.A. §68-11-1607(4)
(Specify) _____ | _____ | I. Other (Specify) _____ | _____ |

9. **Medicaid/TennCare, Medicare Participation**

MCO Contracts [Check all that apply]

X AmeriGroup X United Healthcare Community Plan X BlueCare X TennCare Select

Medicare Provider Number 44-2017

Medicaid Provider Number Q019830

Certification Type Hospital

If a new facility, will certification be sought for Medicare and/or Medicaid/TennCare?

Medicare Yes No X N/A Medicaid/TennCare Yes No X N/A

10. Bed Complement Data

A. Please indicate current and proposed distribution and certification of facility beds.

	<u>Current Licensed</u>	<u>Beds Staffed</u>	<u>Beds Proposed</u>	<u>*Beds Approved</u>	<u>**Beds Exempted</u>	<u>TOTAL Beds at Completion</u>
1) Medical						
2) Surgical						
3) ICU/CCU						
4) Obstetrical						
5) NICU						
6) Pediatric						
7) Adult Psychiatric						
8) Geriatric Psychiatric						
9) Child/Adolescent Psychiatric						
10) Rehabilitation						
11) Adult Chemical Dependency						
12) Child/Adolescent Chemical Dependency						
13) Long-Term Care Hospital	<u>24</u>	<u>24</u>	<u>24</u>	<u>6</u>		<u>54</u>
14) Swing Beds						
15) Nursing Home – SNF (Medicare only)						
16) Nursing Home – NF (Medicaid only)						
17) Nursing Home – SNF/NF (dually certified Medicare/Medicaid)						
18) Nursing Home – Licensed (non-certified)						
19) ICF/IID						
20) Residential Hospice						
TOTAL	<u>24</u>	<u>24</u>	<u>24</u>	<u>6</u>		<u>54</u>
*Beds approved but not yet in service **Beds exempted under 10% per 3 year provision						

Note: The six (6) beds on the 2nd Floor were approved in December, 2017, and should go on line soon.

B. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the applicant facility's existing services. **Response:** Attachment Section A-10.

C. Please identify all the applicant's outstanding Certificate of Need projects that have a licensed bed change component. If applicable, complete chart below.

<u>CON Number(s)</u>	<u>CON Expiration Date</u>	<u>Total Licensed Beds Approved</u>
<u>CN1708-025A</u>	<u>Anticipated 01/2021</u>	<u>6</u>

11. Home Health Care Organizations – Home Health Agency, Hospice Agency (excluding Residential Hospice), identify the following by checking all that apply: **(Not Applicable)**

	Existing Licensed County	Parent Office County	Proposed Licensed County		Existing Licensed County	Parent Office County	Proposed Licensed County
Anderson				Lauderdale			
Bedford				Lawrence			
Benton				Lewis			
Bledsoe				Lincoln			
Blount				Loudon			
Bradley				McMinn			
Campbell				McNairy			
Cannon				Macon			
Carroll				Madison			
Carter				Marion			
Cheatham				Marshall			
Chester				Maury			
Claiborne				Meigs			
Clay				Monroe			
Cocke				Montgomery			
Coffee				Moore			
Crockett				Morgan			
Cumberland				Obion			
Davidson				Overton			
Decatur				Perry			
DeKalb				Pickett			
Dickson				Polk			
Dyer				Putnam			
Fayette				Rhea			
Fentress				Roane			
Franklin				Robertson			
Gibson				Rutherford			
Giles				Scott			
Grainger				Sequatchie			
Greene				Sevier			
Grundy				Shelby			
Hamblen				Smith			
Hamilton				Stewart			
Hancock				Sullivan			
Hardeman				Sumner			
Hardin				Tipton			
Hawkins				Trousdale			
Haywood				Unicoi			
Henderson				Union			
Henry				Van Buren			
Hickman				Warren			
Houston				Washington			
Humphreys				Wayne			
Jackson				Weakley			
Jefferson				White			
Johnson				Williamson			
Knox				Wilson			
Lake							

12. Square Footage and Cost Per Square Footage Chart (Not Applicable – no construction/renovation)

Unit/Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage		
					Renovated	New	Total
New Staff Support							
New Therapy							
New Patient Rooms							
Unit/Department GSF Sub-Total							
Other GSF Total							
Total GSF							
*Total Cost							
**Cost Per Square Foot							
<p>Cost per Square Foot Is Within Which Range <i>(For quartile ranges, please refer to the Applicant's Toolbox on www.tn.gov/hsda)</i></p>					<input type="checkbox"/> Below 1 st Quartile <input type="checkbox"/> Between 1 st and 2 nd Quartile <input type="checkbox"/> Between 2 nd and 3 rd Quartile <input type="checkbox"/> Above 3 rd Quartile	<input type="checkbox"/> Below 1 st Quartile <input type="checkbox"/> Between 1 st and 2 nd Quartile <input type="checkbox"/> Between 2 nd and 3 rd Quartile <input type="checkbox"/> Above 3 rd Quartile	<input type="checkbox"/> Below 1 st Quartile <input type="checkbox"/> Between 1 st and 2 nd Quartile <input type="checkbox"/> Between 2 nd and 3 rd Quartile <input type="checkbox"/> Above 3 rd Quartile

* The Total Construction Cost should equal the Construction Cost reported on line A5 of the Project Cost Chart.

** Cost per Square Foot is the construction cost divided by the square feet. Please do not include contingency costs.

13. MRI, PET, and/or Linear Accelerator (Not Applicable)

1. Describe the acquisition of any Magnetic Resonance Imaging (MRI) scanner that is adding a MRI scanner in counties with population less than 250,000 or initiation of pediatric MRI in counties with population greater than 250,000 and/or
2. Describe the acquisition of any Positron Emission Tomographer (PET) or Linear Accelerator if initiating the service by responding to the following:

A. Complete the chart below for acquired equipment.

<input type="checkbox"/> Linear Accelerator	Mev _____ Types: _____	<input type="checkbox"/> SRS <input type="checkbox"/> IMRT <input type="checkbox"/> IGRT <input type="checkbox"/> Other _____
	Total Cost*:	<input type="checkbox"/> By Purchase <input type="checkbox"/> By Lease Expected Useful Life (yrs) _____
	<input type="checkbox"/> New <input type="checkbox"/> Refurbished	<input type="checkbox"/> If not new, how old? (yrs) _____

<input type="checkbox"/> MRI	Tesla: _____ Magnet: _____	<input type="checkbox"/> Breast <input type="checkbox"/> Extremity <input type="checkbox"/> Open <input type="checkbox"/> Short Bore <input type="checkbox"/> Other _____
	Total Cost*:	<input type="checkbox"/> By Purchase <input type="checkbox"/> By Lease Expected Useful Life (yrs) _____
	<input type="checkbox"/> New <input type="checkbox"/> Refurbished	<input type="checkbox"/> If not new, how old? (yrs) _____

<input type="checkbox"/> PET	<input type="checkbox"/> PET only <input type="checkbox"/> PET/CT <input type="checkbox"/> PET/MRI	<input type="checkbox"/> By Purchase <input type="checkbox"/> By Lease Expected Useful Life (yrs) _____
	Total Cost*:	<input type="checkbox"/> By Purchase <input type="checkbox"/> By Lease Expected Useful Life (yrs) _____
	<input type="checkbox"/> New <input type="checkbox"/> Refurbished	<input type="checkbox"/> If not new, how old? (yrs) _____

* As defined by Agency Rule 0720-9-.01(13)

B. In the case of equipment purchase, include a quote and/or proposal from an equipment vendor. In the case of equipment lease, provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments along with the fair market value of the equipment.

C. Compare lease cost of the equipment to its fair market value. Note: Per Agency Rule, the higher cost must be identified in the project cost chart.

D. Schedule of Operations:

Location	Days of Operation (Sunday through Saturday)	Hours of Operation (example: 8 am – 3 pm)
Fixed Site (Applicant)	_____	_____
Mobile Locations (Applicant)	_____	_____
(Name of Other Location)	_____	_____
(Name of Other Location)	_____	_____

E. Identify the clinical applications to be provided that apply to the project.

- F. If the equipment has been approved by the FDA within the last five years provide documentation of the same.

SECTION B: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with T.C.A. § 68-11-1609(b), “no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of health care.” Further standards for guidance are provided in the State Health Plan developed pursuant to T.C.A. § 68-11-1625.

The following questions are listed according to the four criteria: (1) Need, (2) Economic Feasibility, (3) Applicable Quality Standards, and (4) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. *Please type each question and its response on an 8 1/2" x 11" white paper, single-sided or double sided.* All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer, unless specified otherwise. *If a question does not apply to your project, indicate “Not Applicable (NA).”*

QUESTIONS

SECTION B: NEED

- A. Provide a response to each criterion and standard in Certificate of Need Categories in the State Health Plan that are applicable to the proposed project. Criteria and standards can be obtained from the Tennessee Health Services and Development Agency or found on the Agency’s website at <http://www.tn.gov/hsda/article/hsda-criteria-and-standards>.

Response: See Attachment B.Need.A.

- B. Describe the relationship of this project to the applicant facility’s long-range development plans, if any, and how it relates to related previously approved projects of the applicant.

Response: The Applicant constantly monitors patient needs and healthcare delivery systems at our facility. While there are no adopted long-range development plans, the fact that sixty (60) approved LTACH beds in Memphis have been recently closed or surrendered impacts patients we serve. The addition of these twenty-four (24) beds is a first step in providing continuing care for the long term acute care hospital patients in need of such services.

- C. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map for the Tennessee portion of the service area using the map on the following page, clearly marked to reflect the service area as it relates to meeting the requirements for CON criteria and standards that may apply to the project. Please include a discussion of the inclusion of counties in the Border States, if applicable. **Attachment Section B.Need.C.**

Response: Please complete the following tables, if applicable:

Service Area Counties	Historical Utilization-County Residents	# and % of total patients
County #1	Shelby	98 and 50.0%
	Other Tennessee Counties	26 and 13.3%
Mississippi		37 and 18.9%
Arkansas		23 and 11.7%
	Other States	12 and 6.1%
Total		196 and 100%

Service Area Counties	Projected Utilization-Co. Residents-24 beds	# and % of total patients
County #1	Shelby	96 and 50.0%
	Other Tennessee Counties	24 and 12.5%
Mississippi		36 and 18.8%
Arkansas		24 and 12.5%
	Other States	12 and 6.3%
Total		192 and 100%

Service Area Counties	Projected Utilization-Co. Residents-54 beds	# and % of total patients
County #1	Shelby	216 and 50.0%
	Other Tennessee Counties	54 and 13.5%
Mississippi		81 and 18.7%
Arkansas		54 and 11.9%
	Other States	27 and 6.0%
Total		432 and 100%

The chart below shows that, considering Shelby County, only, there would be a bed need for approximately 49 LTACH beds in 2019, and there currently exist 93 LTACH beds, plus the Applicant has been approved for an additional six (6) beds. See attached TDOH LTACH Bed Need Chart.

	Population		0.5 LTACH bed X (10,000 population)		Current licensed beds	Net Need	
	2017	2019	2017	2019	2017	2017	2019
Shelby County (Proposed Service Area)	964,804	975,626	48 beds	49 beds	93 beds (+ 6 CON beds)	(51) bed surplus	(50) bed surplus

The facility's existing service area is primarily Shelby County, Tennessee, plus border counties of Mississippi and Arkansas. However, as the service being provided is very specialized, patients originate from a wide geographic area. A few of our patients originate in some of the western counties in Tennessee and Missouri and Alabama, but not enough to be included in the primary service area. As shown on Attachment B.Need.C, in 2015, approximately 83% of the Applicant's patients from Tennessee originated from Shelby County, approximately 53% of all patients originated from Shelby County, approximately 63% of its patients originated from Tennessee and approximately 37% of its patients came from out of state. Regarding the out of state patients, about 57% originated from Mississippi, and about 40% came from Arkansas. The approval of these relatively few beds is not expected to alter the existing service area of the Applicant.

Also, the Historic Utilization chart above is based on the 2016 JAR, which is not available on the State's website (as of the time of submission of this project).

Finally, regarding our service area, due to the unique and specialized nature of the services provided, LTACHs draw from a wide geographic area. All of the LTACHs in West Tennessee are in Shelby County, and the Applicant's primary service area consists of Shelby County and coterminous counties in Mississippi and Arkansas. A question has arisen regarding LTACHs geographically close to Memphis. There are no LTACHs in Tennessee between Memphis and Nashville. The closest LTACHs to Memphis are out of state, as explained below.

In searching the American Hospital Directory, there are only three LTACHs within 75 miles of zip code 38103 (the Applicant's zip code), and all three are in Memphis (Shelby County):

Baptist Memorial Restorative Care Hospital (30 beds);
Regional One Health Extended Care Hospital (24 beds); and
Select Specialty Hospital – Memphis (39 beds).

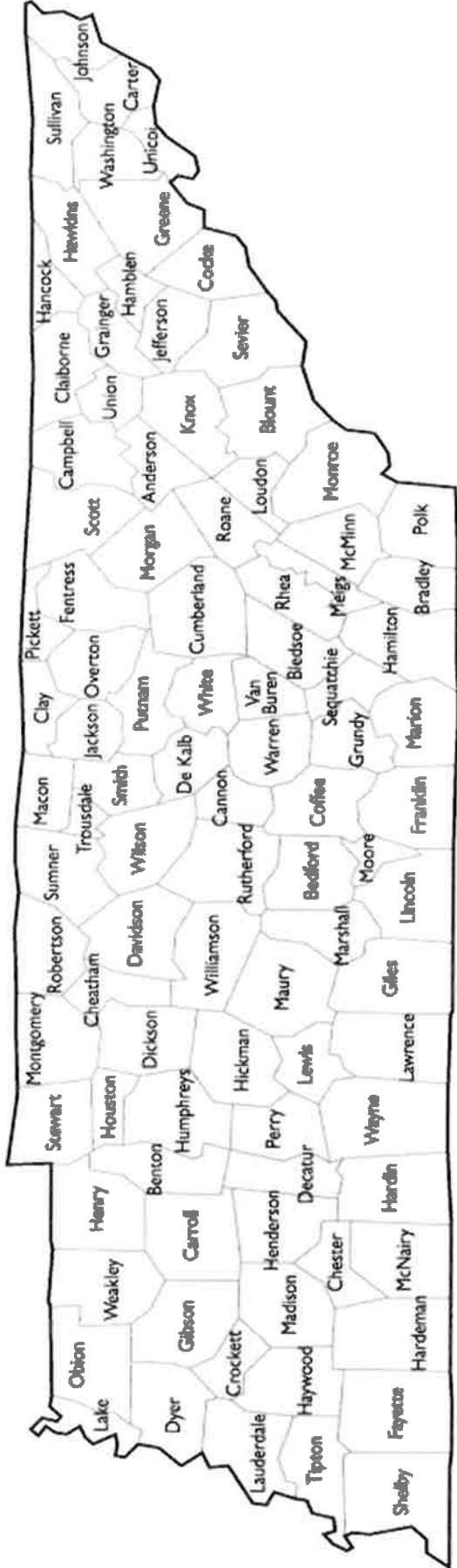
Expanding the search to 100 miles, there is only one additional LTACH in addition to the above which is Advanced Care Hospital of White County (27 beds in Searcy, Arkansas).

Extended to 120 miles, there is only one additional LTACH in addition to the above which is AMG Specialty Hospital of Greenwood (40 beds in Greenwood, Mississippi).

Extending to 150 miles of zip code 38103, the total list of LTACHs is as follows:

Baptist Memorial Restorative Care Hospital (30 beds in Memphis);
Regional One Health Extended Care Hospital (24 beds in Memphis);
Select Specialty Hospital – Memphis (39 beds in Memphis);
Advanced Care Hospital of White County (27 beds in Searcy, Arkansas);
AMG Specialty Hospital of Greenwood (40 beds in Greenwood, Mississippi);
Allegiance Specialty Hospital of Greenville (39 beds in Greenville, Mississippi);
Baptist Health Extended Care Hospital (55 beds in Little Rock, Arkansas); and
Cornerstone Hospital Little Rock (40 beds in Little Rock, Arkansas).

County Level Map



D. 1). a) Describe the demographics of the population to be served by the proposal.

Response: Shelby County is an urban county with almost one million population covering approximately 763 square miles in the lower left corner of Tennessee. Memphis is the county seat. Approximately 30% of the population has a college degree or higher, and about 20% of the population lives in poverty. Approximately 12.5% of the population is over the age of 65, about 41% is white, and approximately 54% is black or African American. The median value of owner-occupied housing is \$130,000 (from 2011 – 2015), and there are about 347,224 households in Shelby County (from 2011 – 2015). Please see Attachment B.Need.D.1.a for more quick facts about Shelby County.

b) Using current and projected population data from the Department of Health, the most recent enrollee data from the Bureau of TennCare, and demographic information from the US Census Bureau, complete the following table and include data for each county in your proposed service area.

Projected Population Data: <http://www.tn.gov/health/article/statistics-population>

TennCare Enrollment Data: <http://www.tn.gov/tenncare/topic/enrollment-data>

Census Bureau Fact Finder: <http://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml>

Response: See the following chart:

Demographic Variable/Geographic Area	Department of Health/Health Statistics							Bureau of the Census				TennCare	
	Total Population-Current Year	Total Population-Projected Year	Total Population-% Change	*Target Population-Current Year	*Target Population-Project Year	*Target Population-% Change	Target Population Projected Year as %	Median Age	Median Household Income	Person Below Poverty Level	Person Below Poverty Level as % of	TennCare Enrollees	TennCare Enrollees as % of Total
Shelby County	964804	975626	+1.1	121074	130185	+7.5	13.3	34.6	\$46,224	140398	16.0	249268	25.8
Service Area Total	964804	975626	+1.1	121074	130185	+7.5	13.3	34.6	\$46,224	140398	16.0	249268	25.8
State of TN Total	6887572	7035572	+2.1	1133025	1219696	7.6	17.3	38.4	\$45,219	1117594	15.9	1412063	20.5

** Target Population is population that project will primarily serve. For example, nursing home, home health agency, hospice agency projects typically primarily serve the Age 65+ population; projects for child and adolescent psychiatric services will serve the Population Ages 0-19. Projected Year is defined in select service-specific criteria and standards. If Projected Year is not defined, default should be four years from current year, e.g., if Current Year is 2016, then default Projected Year is 2020.*

Long Term Acute Care Hospital services affect all ages. However, for purposes of this question, the “Target Population” will include those aged 65 and over. The chart above reflects that assumption.

It is also important to note that since new Joint Annual Reports have not been finalized since the filing of the Applicant's six (6) bed application, approved only one month prior to the filing of this application, data for the same years are given in the chart above as were given in the prior application. The population data has not significantly changed within the past 4 months.

- 2) Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

Response: Shelby County, TN is a medically underserved area, according to Health Resources and Services Administration. The addition of more LTACH beds in the county will add more health care services in the county. Further, while the Applicant will serve all people who present and qualify for nursing services, such services normally target the elderly population. While the elderly population (aged 65+) makes up 17.3% of the population of Tennessee, that same segment of the population represents only 13.3% of the population of Shelby County. Obviously, the population of Shelby County is statistically younger than is the population of the state of Tennessee. Since there are twice as many patients in the existing LTACHs in 2015 than the entire bed need for Shelby County indicated, LTACH patients are obviously originating from other areas. This is in keeping with statements made here and elsewhere about the unique nature of LTACH services, and the wide geographic draw such facilities have. As an example, in 2015 while there were 95 patients from Shelby County at our facility, there were another 38 patients from border counties of Mississippi and 27 patients from border counties of Arkansas. Therefore, the population being served by the Applicant, and these addition requested beds, are in more need of such services than just the population of only Shelby County indicates. The unique nature of the LTACH services we provide indicates special needs for all of the patients we serve, not just those from Shelby County. See Attachment B.Need.D.2 for a list of the MUA tracts and Attachment B.Need.D.3 for a listing of primary care shortage areas in Shelby County.

- E. Describe the existing and approved but unimplemented services of similar healthcare providers in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. List each provider and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: Admissions or discharges, patient days, average length of stay, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc. This doesn't apply to projects that are solely relocating a service.

Response: Selected JAR utilization/statistics for the first 3 LTACHS located in Shelby County (not the Applicant) and listed in that order are indicated in the chart below. These numbers are taken off the most recent JARs available (2015).

The Applicant (Regional MED Extended Care Hospital, LLC, d/b/a Regional One Health Extended Care Hospital, noted as "Regional Med" in the chart below) lists data for 2017, our most recent data. It is important to note that the Applicant was staffing only 21 beds until recently, when demand necessitated the staffing of the additional 3 beds. This restriction is a reflection of the layout of our beds, and staffing the additional three (3) beds on the fourth floor originally resulted in financial loss for those 3 beds. Therefore, the fact that we averaged 20.21 patients in a 21 bed facility is indicative of how our existing staffed beds are utilized to capacity.

Facility	# beds	# pts	Occ Rate	Gross	Adj.	Net
Baptist	30	22.89	76.3%	\$6,987.64	\$5,283.73	\$1,703.91
Methodist	36	31.46	87.4%	\$4,023.54	\$2,661.94	\$1,361.60
Select Specialty	39	36.66	94.0%	\$10,507.78	\$7,388.76	\$3,119.02
Regional MED	24	20.21	84.2%	\$8,499.58	\$6,683.20	\$1,816.38
Total	129	111.22	86.2%			

NOTE: Gross = Gross Operating Revenue per Patient Day
Adj. = Contractual Adjustments per Patient Day
Net = Net Operating Revenue per Patient Day

Also, Methodist LTACH closed on June 20, 2016, and its license has been surrendered. In addition, Select Specialty Hospital recently (July 10, 2017) voluntarily surrendered its approved CON for 24 additional LTACH beds. As a result, sixty (60) approved LTACH beds have recently been surrendered to either the Board of Licensing Health Care Facilities or the Health Services and Development Agency.

Other utilization data includes the following:

LTACH Utilization Trends-2013-2015

Facility	Licensed Beds	2013 Admissions	2014 Admissions	2015 Admissions	2013 Average Length of Stay	2014 Average Length of Stay	2015 Average Length of Stay
Baptist	30	286	259	250	34.5	32.8	33.4
Methodist	36	426	435	424	26.4	27.0	27.1
Select Specialty	39	448	422	265	28.6	32.5	50.5
Regional MED	24	n/a	63	181	n/a	27.2	37.9
Total	129	1160	1179	1120	29.2	30.3	35.8

Source: LTACH JAR, 2013-2015

Please note in both the preceding chart and the following chart that the Applicant, Regional MED LTACH, was not open in 2013, and was open for only part of 2014.

LTACH Utilization Trends-2013-2015

Facility	Licensed Beds	2013 Patient Days	2014 Patient Days	2015 Patient Days	'13- '15 % change	2013 % Occupancy	2014 % Occupancy	2015 % Occupancy
Baptist	30	9,855	8,499	8,354	-15.2%	90.0%	77.2%	76.3%
Methodist	36	11,228	11,752	11,485	+2.3%	85.4%	89.4%	87.4%
Select Specialty	39	12,811	13,724	13,388	+4.5%	90.0%	96.4%	94.0%
Regional MED	24	0	1,711	6,854	n/a	0.00%	19.5%	78.2%
Total	129	33,894	35,686	40,081	+18.25%	88.4%*	75.7%	85.1%

Source: LTACH JAR, 2013-2015

*based on 105 beds, since Regional Med was not in existence in 2013

In addition, the total equivalent inpatient cost per day at Regional One Health is \$3,137. The total operating expenses per day for Regional One Health Extended Care Hospital is \$1,730. With a daily differential of \$1,407 multiplied by the length of stay as reported on the most recently filed cost report of 33.75 days, the savings to retaining the patient at the short term acute care venue would average \$47,486 per Medicare patient.

- F. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three years and the projected annual utilization for each of the two years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology **must include** detailed calculations or documentation from referral sources, and identification of all assumptions.

Response: Based on licensed beds (24), the Applicant has operated at 78.4%, 81.7%, and 84.2% during 2015, 2016, and 2017, respectively. These respective rates would increase to 89.5%, 92.4% and 96.3% based on staffed beds (21). As stated, the Applicant has recently staffed all 24 of its licensed beds. In any regard, the increase in occupancy rate at our hospital, coupled with the closing of Methodist and surrender of beds at Select, indicates a need for more beds.

The Applicant anticipates the occupancy rates for the first two years following completion of the project as follows: Total Facility, 87.4% each year; and the 24 bed addition, only, 82.6% each year. These estimates are based on actual utilization experience of the former management company when adding similar numbers of beds to similarly-sized facilities in the past. The only assumption being made is that all of the similar additions that the management company have experienced in the past will replicate on this project. There is nothing known that indicates the facility, the locale, or the population to be served is statistically different from past experience. Further, the recent loss of LTACH beds (detailed below) indicates that the new beds will be filled quickly.

Finally, Methodist LTACH (36 beds) closed on June 20, 2016, and its license has been surrendered. In addition, Select Specialty Hospital recently (July 10, 2017) voluntarily surrendered its approved CON for 24 additional LTACH beds. As a result, sixty (60) approved LTACH beds have recently been surrendered to either the Board of Licensing Health Care Facilities or the Health Services and Development Agency.

SECTION B: ECONOMIC FEASIBILITY

A. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.

- 1) All projects should have a project cost of at least \$15,000 (the minimum CON Filing Fee). (See Application Instructions for Filing Fee).

Response: The filing fee amounts to \$51,750, and the check is attached to the application. In fact, the filing fee check amount exceeds the actual filing fee by \$1,840, and the Applicant requests a refund of that amount. We apologize for submitting the higher amount.

- 2) The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.

Response: The Project Costs Chart lists the fair market value of the leased space applicable to this project. The FMV number is much higher than the lease costs for that space.

- 3) The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.

Response: There is no moveable equipment as suggested by this question.

- 4) Complete the Square Footage Chart on page 8 and provide the documentation. Please note the Total Construction Cost reported on line 5 of the Project Cost Chart should equal the Total Construction Cost reported on the Square Footage Chart.

Response: Not applicable, as there is neither construction nor renovation involved with this project.

- 5) For projects that include new construction, modification, and/or renovation—**documentation must be** provided from a licensed architect or construction professional that support the estimated construction costs. Provide a letter that includes the following:

- a) A general description of the project;
- b) An estimate of the cost to construct the project;
- c) A description of the status of the site's suitability for the proposed project; and
- d) Attesting the physical environment will conform to applicable federal standards, manufacturer's specifications and licensing agencies' requirements including the AIA Guidelines for Design and Construction of Hospital and Health Care Facilities in current use by the licensing authority.

Response: Please see Attachment B.EconomicFeasibility.A.5.

PROJECT COST CHART

A. Construction and equipment acquired by purchase:		
1.	Architectural and Engineering Fees	
2.	Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	40,000
3.	Acquisition of Site	
4.	Preparation of Site	
5.	Total Construction Costs	
6.	Contingency Fund	
7.	Fixed Equipment (Not included in Construction Contract)	800,000
8.	Moveable Equipment (List all equipment over \$50,000 as separate attachments)	400,000
9.	Other (Specify) _____	
B. Acquisition by gift, donation, or lease:		
1.	Facility (inclusive of building and land) (FMV of leased space)	6,210,000
2.	Building only	
3.	Land only	
4.	Equipment (Specify) _____ (by lease)	1,230,000
5.	Other (Specify) _____	
C. Financing Costs and Fees:		
1.	Interim Financing	
2.	Underwriting Costs	
3.	Reserve for One Year's Debt Service	
4.	Other (Specify) _____	
D. Estimated Project Cost (A+B+C)		8,680,000
E.	CON Filing Fee (Overpaid by \$1,840)	51,750
F.	Total Estimated Project Cost (D+E)	8,731,750
TOTAL		8,731,750

B. Identify the funding sources for this project.

Check the applicable item(s) below and briefly summarize how the project will be financed. ***(Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment Section B-Economic Feasibility-B.)***

- ☐ 1) Commercial loan – Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;
- ☐ 2) Tax-exempt bonds – Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
- ☐ 3) General obligation bonds – Copy of resolution from issuing authority or minutes from the appropriate meeting;
- ☐ 4) Grants – Notification of intent form for grant application or notice of grant award;
- ☐ 5) Cash Reserves – Appropriate documentation from Chief Financial Officer of the organization providing the funding for the project and audited financial statements of the organization; and/or
- ☒ 6) Other – Identify and document funding from all other sources.

Response: The majority of Project Costs (\$7,440,000) represent the Fair Market Value of the lease, which is part of the annual budget for the Applicant. The remaining amount (\$1,240,000) will be paid with Cash Reserves of the Applicant. Please see Attachment B.EconomicFeasibility.B.

C. Complete Historical Data Charts on the following two pages—**Do not modify the Charts provided or submit Chart substitutions!**

Historical Data Chart represents revenue and expense information for the last *three (3)* years for which complete data is available. Provide a Chart for the total facility and Chart just for the services being presented in the proposed project, if applicable. **Only complete one chart if it suffices.**

Note that “Management Fees to Affiliates” should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. “Management Fees to Non-Affiliates” should include any management fees paid by agreement to third party entities not having common ownership with the applicant.

HISTORICAL DATA CHART

☐ Total Facility
☐ Project Only

Give information for the last *three (3)* years for which complete data are available for the facility or agency. The fiscal year begins in July (Month).

	2015	2016	2017
A. Utilization Data (Specify unit of measure, e.g., 1,000 patient days, 500 visits) Patient Days	<u>6,864</u>	<u>7,160</u>	<u>7,378</u>
B. Revenue from Services to Patients			
1. Inpatient Services	<u>\$45,102,368</u>	<u>\$54,535,080</u>	<u>\$62,709,904</u>
2. Outpatient Services			
3. Emergency Services			
4. Other Operating Revenue (Specify) _prior year adjustments			
Gross Operating Revenue	<u>\$45,102,368</u>	<u>\$54,535,080</u>	<u>\$62,709,904</u>
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	<u>\$29,817,726</u>	<u>\$40,551,332</u>	<u>\$48,430,137</u>
2. Provision for Charity Care		<u>94,113</u>	<u>279,963</u>
3. Provisions for Bad Debt	<u>686,949</u>	<u>842,985</u>	<u>598,558</u>
Total Deductions	<u>\$30,504,675</u>	<u>\$41,488,430</u>	<u>\$49,308,658</u>
NET OPERATING REVENUE	<u>\$14,597,693</u>	<u>\$13,046,650</u>	<u>\$13,401,246</u>
D. Operating Expenses			
1. Salaries and Wages			
a. Direct Patient Care	<u>3,963,368</u>	<u>4,835,706</u>	<u>5,343,636</u>
b. Non-Patient Care	<u>659,690</u>	<u>481,125</u>	<u>531,661</u>
2. Physician's Salaries and Wages			
3. Supplies	<u>1,690,912</u>	<u>1,889,651</u>	<u>1,966,486</u>
4. Rent			
a. Paid to Affiliates	<u>480,000</u>	<u>480,000</u>	<u>503,500</u>
b. Paid to Non-Affiliates	<u>515,471</u>	<u>370,600</u>	<u>444,568</u>
5. Management Fees:			
a. Paid to Affiliates			
b. Paid to Non-Affiliates	<u>484,234</u>	<u>502,643</u>	<u>504,478</u>
6. Other Operating Expenses	<u>3,468,802</u>	<u>3,844,545</u>	<u>3,472,418</u>
Total Operating Expenses	<u>\$11,262,477</u>	<u>\$12,404,269</u>	<u>\$12,766,746</u>
E. Earnings Before Interest, Taxes and Depreciation	<u>\$3,335,216</u>	<u>\$642,381</u>	<u>\$634,500</u>
F. Non-Operating Expenses			
1. Taxes	\$	\$	\$
2. Depreciation			
3. Interest			
4. Other Non-Operating Expenses			
Total Non-Operating Expenses	\$	\$	\$
NET INCOME (LOSS)	<u>\$3,335,216</u>	<u>\$642,381</u>	<u>\$634,500</u>

Chart Continues Onto Next Page

NET INCOME (LOSS)	<u>\$3,335,216</u>	<u>\$642,381</u>	<u>\$634,500</u>
G. Other Deductions			
1. Annual Principal Debt Repayment	\$	\$	\$
2. Annual Capital Expenditure			
Total Other Deductions	\$	\$	\$
NET BALANCE	<u>\$3,335,216</u>	<u>\$642,381</u>	<u>\$634,500</u>
DEPRECIATION	\$	\$	\$
FREE CASH FLOW (Net Balance + Depreciation)	<u>\$3,335,216</u>	<u>\$642,381</u>	<u>\$634,500</u>

☐ **Total Facility**
☐ Project Only

HISTORICAL DATA CHART-OTHER EXPENSES

<u>OTHER EXPENSES CATEGORIES</u>	2015	2016	2017
1. Professional Services Contract	<u>\$528,032</u>	<u>\$1,387,215</u>	<u>\$1,322,488</u>
2. Contract Labor	<u>118,455</u>	<u>141,661</u>	<u>29,981</u>
3. Imaging Interpretation Fees	<u>66,270</u>	<u>70,107</u>	<u>103,065</u>
4. Benefits	<u>1,086,623</u>	<u>1,066,808</u>	<u>1,019,357</u>
5. General & Administrative	<u>934,746</u>	<u>635,631</u>	<u>429,570</u>
6. Other	<u>734,676</u>	<u>543,123</u>	<u>567,957</u>
Total Other Expenses	<u>\$3,468,802</u>	<u>\$3,844,545</u>	<u>\$3,472,418</u>

D. Complete Projected Data Charts on the following two pages – **Do not modify the Charts provided or submit Chart substitutions!**

The Projected Data Chart requests information for the two years following the completion of the proposed services that apply to the project. Please complete two Projected Data Charts. One Projected Data Chart should reflect revenue and expense projections for the ***Proposal Only*** (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility). The second Chart should reflect information for the total facility. **Only complete one chart if it suffices.**

Note that “Management Fees to Affiliates” should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. “Management Fees to Non-Affiliates” should include any management fees paid by agreement to third party entities not having common ownership with the applicant.

PROJECTED DATA CHART☐ **Total Facility**☐ **Project Only**

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in July (Month).

	<u>Year 1 (2018)</u>	<u>Year 2 (2019)</u>
A. Utilization Data (Specify unit of measure, e.g., 1,000 patient days, 500 visits) Patient Days.	<u>17,217</u>	<u>17,217</u>
B. Revenue from Services to Patients		
1. Inpatient Services	<u>\$141,130,012</u>	<u>\$141,130,012</u>
2. Outpatient Services		
3. Emergency Services		
4. Other Operating Revenue (Specify)vending, food, rebates		
Gross Operating Revenue	<u>\$141,130,012</u>	<u>\$141,130,012</u>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	<u>\$109,052,001</u>	<u>\$109,052,001</u>
2. Provision for Charity Care	<u>701,615</u>	<u>701,615</u>
3. Provisions for Bad Debt	<u>431,548</u>	<u>431,548</u>
Total Deductions	<u>\$110,185,164</u>	<u>\$110,185,164</u>
NET OPERATING REVENUE	<u>\$30,944,848</u>	<u>\$30,944,848</u>
D. Operating Expenses		
1. Salaries and Wages		
a. Direct Patient Care	<u>11,772,455</u>	<u>12,007,904</u>
b. Non-Patient Care	<u>1,171,291</u>	<u>1,194,716</u>
2. Physician's Salaries and Wages		
3. Supplies	<u>5,200,961</u>	<u>5,304,980</u>
4. Rent		
a. Paid to Affiliates	<u>976,500</u>	<u>996,030</u>
b. Paid to Non-Affiliates	<u>792,000</u>	<u>807,840</u>
5. Management Fees:		
a. Paid to Affiliates	<u>693,533</u>	<u>707,404</u>
b. Paid to Non-Affiliates		
6. Other Operating Expenses	<u>6,599,291</u>	<u>6,731,276</u>
Total Operating Expenses	<u>\$27,216,031</u>	<u>\$27,750,150</u>
E. Earnings Before Interest, Taxes and Depreciation	<u>\$3,728,817</u>	<u>\$3,194,698</u>
F. Non-Operating Expenses		
1. Taxes	\$	\$
2. Depreciation		
3. Interest		
4. Other Non-Operating Expenses		
Total Non-Operating Expenses	\$	\$
NET INCOME (LOSS)	<u>\$3,728,817</u>	<u>\$3,194,698</u>

Chart Continues Onto Next Page

NET INCOME (LOSS)	<u>\$3,728,817</u>	<u>\$3,194,698</u>
G. Other Deductions		
1. Estimated Annual Principal Debt Repayment	\$	\$
2. Annual Capital Expenditure		
Total Other Deductions	\$	\$
NET BALANCE	<u>\$3,728,817</u>	<u>\$3,194,698</u>
DEPRECIATION	\$	\$
FREE CASH FLOW (Net Balance + Depreciation)	<u>\$3,728,817</u>	<u>\$3,194,698</u>

- ☐ **Total Facility**
☐ **Project Only**

PROJECTED DATA CHART-OTHER EXPENSES

<u>OTHER EXPENSES CATEGORIES</u>	<u>Year 2018</u>	<u>Year 2019</u>
1. Professional Services Contract	<u>\$2,616,262</u>	<u>\$2,635,540</u>
2. Contract Labor	<u>45,000</u>	<u>45,900</u>
3. Imaging Interpretation Fees	<u>171,000</u>	<u>174,420</u>
4. Benefits	<u>2,074,023</u>	<u>2,115,504</u>
5. General and Administrative	<u>900,000</u>	<u>918,000</u>
6. Other	<u>793,006</u>	<u>841,912</u>
Total Other Expenses	<u>\$6,599,291</u>	<u>\$6,731,276</u>

NOTE: The amounts under "Paid to Affiliates" are the anticipated costs to self-manage the facility.

PROJECTED DATA CHART

☐ Total Facility
☐ Project Only

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in July (Month).

	Year 1 (2018)	Year 2 (2019)
A. Utilization Data (Specify unit of measure, e.g., 1,000 patient days, 500 visits) Patient Days.	<u>7,240</u>	<u>7,240</u>
B. Revenue from Services to Patients		
1. Inpatient Services	<u>\$59,368,000</u>	<u>\$59,368,000</u>
2. Outpatient Services		
3. Emergency Services		
4. Other Operating Revenue (Specify)Vending, Food, Rebates		
Gross Operating Revenue	<u>\$59,368,000</u>	<u>\$59,368,000</u>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	<u>\$45,855,976</u>	<u>\$45,855,976</u>
2. Provision for Charity Care	<u>151,352</u>	<u>151,352</u>
3. Provisions for Bad Debt	<u>323,592</u>	<u>323,592</u>
Total Deductions	<u>\$46,330,920</u>	<u>\$46,330,920</u>
NET OPERATING REVENUE	<u>\$13,037,080</u>	<u>\$13,037,080</u>
D. Operating Expenses		
1. Salaries and Wages		
a. Direct Patient Care	<u>2,716,820</u>	<u>2,771,156</u>
b. Non-Patient Care	<u>270,308</u>	<u>275,716</u>
2. Physician's Salaries and Wages		
3. Supplies	<u>2,841,752</u>	<u>2,8987,364</u>
4. Rent		
a. Paid to Affiliates	<u>500,000</u>	<u>510,000</u>
b. Paid to Non-Affiliates		
5. Management Fees:		
a. Paid to Affiliates		
b. Paid to Non-Affiliates		
6. Other Operating Expenses	<u>465,200</u>	<u>474,504</u>
Total Operating Expenses	<u>\$6,792,880</u>	<u>\$6,928,740</u>
E. Earnings Before Interest, Taxes and Depreciation	<u>\$6,244,200</u>	<u>\$6,108,340</u>
F. Non-Operating Expenses		
1. Taxes	\$	\$
2. Depreciation		
3. Interest		
4. Other Non-Operating Expenses		
Total Non-Operating Expenses	\$	\$
NET INCOME (LOSS)	<u>\$6,244,200</u>	<u>\$6,108,340</u>

Chart Continues Onto Next Page

NET INCOME (LOSS)	<u>\$6,244,200</u>	<u>\$6,108,340</u>
G. Other Deductions		
1. Estimated Annual Principal Debt Repayment	\$	\$
2. Annual Capital Expenditure		
Total Other Deductions	\$	\$
NET BALANCE	<u>\$6,244,200</u>	<u>\$6,108,340</u>
DEPRECIATION	\$	\$
FREE CASH FLOW (Net Balance + Depreciation)	<u>\$6,244,200</u>	<u>\$6,108,340</u>

- ☐ Total Facility
☐ **Project Only**

PROJECTED DATA CHART-OTHER EXPENSES

<u>OTHER EXPENSES CATEGORIES</u>	<u>Year 2018</u>	<u>Year 2019</u>
1. Professional Services Contract	\$	\$
2. Contract Labor		
3. Imaging Interpretation Fees		
4. Benefits	<u>465,200</u>	<u>474,504</u>
5. General and Administrative		
6. Other		
Total Other Expenses	<u>\$465,200</u>	<u>\$474,504</u>

NOTE: The amounts under "Paid to Affiliates" are the anticipated costs to self-manage the facility.

- E. 1) Please identify the project's average gross charge, average deduction from operating revenue, and average net charge using information from the Projected Data Chart for Year 1 and Year 2 of the proposed project. Please complete the following table.

	Previous Year (2016)	Current Year (2017)	Year One	Year Two	% Change (Current Year to Year 2)
Gross Charge (<i>Gross Operating Revenue/Utilization Data</i>)	7,616.63	8,499.58	8,197.13	8,197.13	-3.6
Deduction from Revenue (<i>Total Deductions/Utilization Data</i>)	5,794.47	6,683.20	6,399.79	6,399.79	-4.2
Average Net Charge (<i>Net Operating Revenue/Utilization Data</i>)	1,822.16	1,816.38	1,797.34	1,797.34	-1.0

- 2) Provide the proposed charges for the project and discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the project and the impact on existing patient charges.

Response: The proposed charges for the total project are reflected in the table above: Year 1, \$8,197.13 in gross operating revenue per patient day, \$6,399.79 in contractual adjustments per patient day; and \$1,797.34 in net operating revenue per patient day. The implementation of this project, coupled with normal increases in costs, will decrease the average net charge per patient day by approximately 1.0% in two years. This decrease is to be expected due to cost efficiencies in operating a larger facility.

In addition, the total equivalent inpatient cost per day at Regional One Health is \$3,137. The total operating expenses per day for Regional One Health Extended Care Hospital is \$1,730. With a daily differential of \$1,407 multiplied by the length of stay as reported on the most recently filed cost report of 33.75 days, the savings to retaining the patient at the short term acute care venue would average \$47,486 per Medicare patient.

- 3) Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

Response: Our existing (and projected) service area is primarily Shelby County, Tennessee, plus coterminous counties in Mississippi and Arkansas. Selected JAR utilization/statistics for the first 3 LTACHS located in Shelby County (not the Applicant) are indicated in the chart below. These numbers are taken off the most recent JARs available (2015). It is important to note that Methodist Extended Care is now closed.

The Applicant (Regional MED Extended Care Hospital, LLC, d/b/a Regional One Health Extended Care Hospital, noted as "Regional Med" in the chart below) lists data for 2017, our most recent data. It is important to note that the Applicant had been staffing only 21 beds since licensure. This restriction is a reflection of the layout of our beds, and staffing the additional three (3) beds on the fourth floor originally resulted in financial loss. Therefore, the fact that we averaged 20.21 patients in a 21 bed facility is indicative of how our existing staffed beds are utilized to capacity. We now staff all 24 beds due to increased demand.

Facility	# beds	# pts	Occ Rate	Gross	Adj.	Net
Baptist	30	22.89	76.3%	\$6,987.64	\$5,283.73	\$1,703.91
Methodist	36	31.46	87.4%	\$4,023.54	\$2,661.94	\$1,361.60
Select Specialty	39	36.66	94.0%	\$10,507.78	\$7,388.76	\$3,119.02
Regional MED	24	20.21	84.2%	\$8,499.58	\$6,683.20	\$1,816.38
Total	129	111.22	86.2%			

NOTE: Gross = Gross Operating Revenue per Patient Day
Adj. = Contractual Adjustments per Patient Day
Net = Net Operating Revenue per Patient Day

Also, Methodist LTACH closed on June 20, 2016, and its license has been surrendered. In addition, Select Specialty Hospital recently (July 10, 2017) voluntarily surrendered its approved CON for 24 additional LTACH beds. As a result, sixty (60) approved LTACH beds have recently been surrendered to either the Board of Licensing Health Care Facilities or the Health Services and Development Agency.

- F. 1) Discuss how projected utilization rates will be sufficient to support the financial performance. Indicate when the project's financial breakeven is expected and demonstrate the availability of sufficient cash flow until financial viability is achieved. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For all projects, provide financial information for the corporation, partnership, or principal parties that will be a source of funding for the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as **Attachment Section B-Economic Feasibility-F1**. **NOTE: Publicly held entities only need to reference their SEC filings.**

Response: Based on the Year 1 budget projections, and assuming the project is approved and is initiated within the timeframe as indicated, the long term acute care hospital is anticipated to realize a positive cash flow in the first year following completion of the addition. We believe the additional beds will fill up quickly.

Financials are included as Attachment B.EconomicFeasibility.F.1.

- 2) Net Operating Margin Ratio – Demonstrates how much revenue is left over after all the variable or operating costs have been paid. The formula for this ratio is: (Earnings before interest, Taxes, and Depreciation/Net Operating Revenue).

Response: Utilizing information from the Historical and Projected Data Charts please report the net operating margin ratio trends in the following table:

Year	2nd Year previous to Current Year	1st Year previous to Current Year	Current Year	Projected Year 1	Projected Year 2
Net Operating Margin Ratio	22.8%	4.9%	4.7%	12.2%	10.5%

It is common for new long term acute care hospitals to have a higher cost to charge ratio upon start-up of operations. Given that Medicare reimburses hospitals for patients who greatly exceed the anticipated length of stay (referred to as outliers) based on the cost to charge ratio, and the long term acute care hospital had a significant number of outliers which were reimbursed under this methodology, there was a larger net operating margin in our initial year of operations than in more current years.

- 3) Capitalization Ratio (Long-term debt to capitalization) – Measures the proportion of debt financing in a business's permanent (Long-term) financing mix. This ratio best measures a business's true capital structure because it is not affected by short-term financing decisions. The formula for this ratio is: [Long-term debt/(Long-term debt + Total Equity (Net assets))] x 100).

Response: For the entity (applicant and/or parent company) that is funding the proposed project please provide the capitalization ratio using the most recent year available from the funding entity's audited balance sheet, if applicable. The Capitalization Ratios are not expected from outside the company lenders that provide funding.

$$\frac{\text{Long Term Debt}}{(\text{Long Term Debt} + \text{Total Equity}) \times 100} = \frac{0}{(0 + 11846000) \times 100} = 0$$

For Owner:

$$\frac{\text{Long Term Debt}}{(\text{Long Term Debt} + \text{Total Equity}) \times 100} = \frac{41,829,738}{(41,829,738 + 242,947,894) \times 100} = 0.0015 \text{ or } 0.15\%$$

- G. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid and medically indigent patients will be served by the project. Additionally, report the estimated gross operating revenue dollar amount and percentage of projected gross operating revenue anticipated by payor classification for the first year of the project by completing the table below.

Response: Historical:

Payor Source	Projected Gross Operating Revenue (\$)	As a % of Total
Medicare/Medicare Managed Care	41,937,308	66.9
TennCare/Medicaid	6,310,878	10.1
Commercial/Other Managed Care	12,637,108	20.2
Self-Pay	119,605	0.2
Charity Care		
Other (Specify) Worker's Compensation	1,705,005	2.7
Total	62,709,904	100.0

Project Only Projected Yr1:

Payor Source	Projected Gross Operating Revenue (\$)	As a % of Total
Medicare/Medicare Managed Care	39,678,268	66.8
TennCare/Medicaid	5,975,312	10.1
Commercial/Other Managed Care	11,846,052	20.0
Self-Pay	113,244	0.2
Charity Care	151,352	0.3
Other (Specify) Worker's Compensation	1,603,772	2.6
Total	59,368,000	100.0

Total Facility Projected Yr 1:

Payor Source	Projected Gross Operating Revenue (\$)	As a % of Total
Medicare/Medicare Managed Care	94,291,123	66.8
TennCare/Medicaid	14,209,583	10.1
Commercial/Other Managed Care	27,901,588	19.7
Self-Pay	269,303	0.2
Charity Care	701,615	0.5
Other (Specify) Worker's Compensation	3,756,800	2.7
Total	141,130,012	100.0

Regarding the Historical data figures given on the previous page, the issue of charity care needs to be addressed. During the 1980s, LTACHs were created to allow hospitals to discharge medically complex patients from their facilities in order to decrease Medicare spending. The long term acute care venue was designed, and is reimbursed by Medicare, to provide an appropriate venue for this acutely ill patient population, requiring an extended length of acute care stay, within the continuum of care. While adhering to the same DRG system as the short term acute care venue of care, each LTC-DRG is adjusted for the length of stay anticipated in this venue, and reimbursement based on expected resource allocation for the provision of care.

When LTACHs were first established in Tennessee, the State designed criteria and standards which included a provision that "... a minimum of 5% of the patient population using long term acute care beds will be charity or indigent care." While the long term acute care hospital intends to serve the needs of the community and the mission of the health system, the provision of charity care is a challenging prospect for a 24 bed hospital who is seeking to admit the patient population intended by Medicare to be served in this venue of care.

Additionally, the long term acute care hospital is owned by Shelby County Health Care Corporation, which as a disproportionate share hospital ("DSH"), serves a large percentage of charity care patients. As a DSH, Regional One Health is, in turn, reimbursed for the care provided to this patient population. The long term acute care hospital is not eligible for this disproportionate share allocation to serve the unfunded patient population.

The approval of this application will increase the number of LTACH beds at our facility which will serve to strengthen the financial viability, and the ability to serve the community and mission of the health system.

H. Provide the projected staffing for the project in Year 1 and compare to the current staffing for the most recent 12-month period, as appropriate. This can be reported using full-time equivalent (FTEs) positions for these positions. Additionally, please identify projected salary amounts by position classifications and compare the clinical staff salaries to prevailing wage patterns in the proposed service area as published by the Department of Labor & Workforce Development and/or other documented sources.

Response: Please see chart below:

Position Classification	Existing FTE 30 beds	Projected FTE (54 beds Year 1)	Avg Wage \$ (contractual rate)	Avg Wage \$ Area/State
RN	53.3	91.3	32.71	31.75
CNA	10.1	19.9	13.23	12.95
Patient Care Extern	0.5	0.9	18.69	31.75
Dir. Respiratory Care	1.0	2.0	42.52	31.75
Liaison Nurse	2.0	4.0	34.88	31.75
Lead Respiratory Therapist	1.0	2.2	29.42	31.75
Occupational Therapist	0.8	1.6	47.67	31.75
Physical Therapist	0.9	1.8	48.18	31.75
Speech Pathologist	1.0	1.9	47.44	31.75
Patient Care Coordinator	3.5	7.4	30.35	31.75
Resp Ther/RRT	10.2	20.1	24.19	31.75
Medical Assistant	2.0	3.9	13.91	12.95
Physical Ther Asst	1.1	2.2	29.88	31.75
Resp Ther Tech/Cert	1.0	2.0	23.74	31.75
Patient Serv Clerk	5.5	11.1	14.57	12.95
a. Total Direct Care	93.8	172.3		
Nursing Clin Supv	1.0	1.0	45.67	43.95
Chief Nursing Officer	1.0	1.0	58.85	43.95
Dir HIM	1.0	1.0	37.02	43.95
Case Mgr/RN	1.1	3.0	33.97	43.95
HIM Coding Spec	0.1	0.1	22.00	12.95
Admitting Coordinator	1.0	1.0	19.85	12.95
Pre-Certification Nurse	1.9	1.9	33.65	12.95
CMS Data Coordinator	1.0	1.0	19.31	12.95
Admin Secretary	0.0	0.0	16.50	12.95
b. Total Non-Direct	8.1	10.0		
Contracted Therapy				
Contracted Med Dir/Diet.				
c. Total Contractual	0.0	0.0		
Total Staff (a + b + c)	101.9	182.3		

I. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:

- 1) Discuss the availability of less costly, more effective and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, justify why not, including reasons as to why they were rejected.

Response: First, doing nothing is always an alternative, but was discarded since our high utilization and other factors indicate a need for more LTACH beds. Second, the construction of a new facility was discarded as such would be cost-prohibitive. It was felt that utilizing existing space on campus would be the most cost-efficient manner in which to provide the additional beds, plus the fastest manner in which to do so. The LTACH Moratorium, which expired in October, 2017, prevented us from adding beds in the past.

- 2) Document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements.

Response: First, doing nothing is always an alternative, but was discarded since our high utilization and other factors indicate a need for more LTACH beds. Second, the construction of a new facility was discarded as such would be cost-prohibitive. It was felt that utilizing existing space on campus would be the most cost-efficient manner in which to provide the additional beds, plus the fastest manner in which to do so. The LTACH Moratorium, which expired in October, 2017, prevented us from adding beds in the past.

SECTION B: CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

- A. List all existing health care providers (i.e., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, that may directly or indirectly apply to the project, such as, transfer agreements, contractual agreements for health services.

Response: We have a transfer agreement with Regional One Health. Our medical director and physician group agreement is with Sleep and Pulmonary Specialist, PLLC.

The average length of stay as reported on the most recently-filed cost report for our LTACH is 33.75 days.

- B. Describe the effects of competition and/or duplication of the proposal on the health care system, including the impact to consumers and existing providers in the service area. Discuss any instances of competition and/or duplication arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

1) Positive Effects

Response: The provision of healthcare services to patients in need normally has a positive impact on those patients, and this project is no exception. Once these beds are approved and licensed, the Applicant will be in a better position to provide needed services to patients requiring LTACH care. Further, since sixty (60) LTACH beds have been voluntarily surrendered within the past year, the addition of these requested beds will have little impact on existing providers in the area.

2) Negative Effects

Response: The Applicant is unaware of any negative impact that this project might have on the health care system. In effect, sixty (60) beds have been either voluntarily surrendered or shut down within the past year. The decrease in bed availability has increased the bed need for patients who need LTACH services.

- C. 1) Discuss the availability of and accessibility to human resources required by the proposal, including clinical leadership and adequate professional staff, as per the State of Tennessee licensing requirements and/or requirements of accrediting agencies, such as the Joint Commission and Commission on Accreditation of Rehabilitation Facilities.

Response: The Applicant hires mostly experienced staff from the local healthcare market, through formal recruitment plans and efforts as well as informal. We have a formal nurse extern program through which we have made direct hires upon successful completion. We believe that we have the clinical leadership already on staff, and adequate professional staff is available locally.

In addition, please note that the actual average hours per patient day for rehabilitation for the most recent year available is 0.4 hours (23 minutes) per patient day.

The actual average hours per patient day for nursing hours for the most recent year available (including productive time for RNs only) are 9.43 hours.

Due to the acuity of the patient population seen at Regional One Health Extended Care Hospital, the projected nurse staffing hours will be 9.48 (See calculation below) hour per patient day. The projected therapy staffing

will be .4 hours per patient day consistent with our actual in the most recent year. Combined nursing and therapy staffing hours per patient day will be 9.88.

The Applicant will continue to focus on nursing and therapeutic care for our patients, as emphasized in the guidelines for LTACH care. Furthermore, our projected caseload will require no more than three (3) hours per day of rehabilitation.

- 2) Verify that the applicant has reviewed and understands all licensing and/or certification as required by the State of Tennessee and/or accrediting agencies such as the Joint Commission for medical/clinical staff. These include, without limitation, regulations concerning clinical leadership, physician supervision, quality assurance policies and programs, utilization review policies and programs, record keeping, clinical staffing requirements, and staff education.

Response: The Applicant understands these standards.

- 3) Discuss the applicant's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).

Response: The Applicant, through its Owner, has an agreement with UT Medical School to train physicians and those physicians rotate through our LTACH (Please see Attachment B.OrderlyDevelopment.C.3). In addition, we have agreements with both the University of Memphis, College of Nursing, and with Union College for the training of nursing students, and an agreement with Concord Career College for the training of Respiratory Therapy students.

- D. Identify the type of licensure and certification requirements applicable and verify the applicant has reviewed and understands them. Discuss any additional requirements, if applicable. Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Response: Please see below:

Licensure: Tennessee Department of Health

Certification Type (e.g. Medicare SNF, Medicare LTAC, etc.): Hospital, certified in Medicare, Medicaid/TennCare patients served through various MCO contracts.

Accreditation (i.e., Joint Commission, CARF, etc.): Not Applicable

- 1) If an existing institution, describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility and accreditation designation.

Response: The Applicant is an existing hospital, licensed by the Tennessee Department of Health (#36), and a copy of the license is provided as Attachment B.OrderlyDevelopment.D.1.

- 2) For existing providers, please provide a copy of the most recent statement of deficiencies/plan of correction and document that all deficiencies/findings have been corrected by providing a letter from the appropriate agency.

Response: The Applicant's latest survey and POC are provided as Attachment B. Orderly Development.D.2.

- 3) Document and explain inspections within the last three survey cycles which have resulted in any of the following state, federal, or accrediting body actions: suspension of admissions, civil monetary penalties, notice of 23-day or 90-day termination proceedings from Medicare/Medicaid/TennCare, revocation/denial of accreditation, or other similar actions.

- a) Discuss what measures the applicant has or will put in place to avoid similar findings in the future.

Response: Not applicable. .

E. Respond to all of the following and for such occurrences, identify, explain and provide documentation:

1) Has any of the following:

- a) Any person(s) or entity with more than 5% ownership (direct or indirect) in the applicant (to include any entity in the chain of ownership for applicant);

Response: No.

- b) Any entity in which any person(s) or entity with more than 5% ownership (direct or indirect) in the applicant (to include any entity in the chain of ownership for applicant) has an ownership interest of more than 5%; and/or

Response: No.

- c) Any physician or other provider of health care, or administrator employed by any entity in which any person(s) or entity with more than 5% ownership in the applicant (to include any entity in the chain of ownership for applicant) has an ownership interest of more than 5%.

Response: No.

2) Been subjected to any of the following:

- a) Final Order or Judgment in a state licensure action;

Response: No.

- b) Criminal fines in cases involving a Federal or State health care offense;

Response: No.

- c) Civil monetary penalties in cases involving a Federal or State health care offense;

Response: No.

- d) Administrative monetary penalties in cases involving a Federal or State health care offense;

Response: No.

- e) Agreement to pay civil or administrative monetary penalties to the federal government or any state in cases involving claims related to the provision of health care items and services; and/or

Response: No.

- f) Suspension or termination of participation in Medicare or Medicaid/TennCare programs.

Response: No.

- g) Is presently subject of/to an investigation, regulatory action, or party in any civil or criminal action of which you are aware.

Response: No.

- h) Is presently subject to a corporate integrity agreement.

Response: No.

F. Outstanding Projects:

- 1) Complete the following chart by entering information for each applicable outstanding CON by applicant or share common ownership; and

<u>Outstanding Projects</u>					
<u>CON Number</u>	<u>Project Name</u>	<u>Date Approved</u>	<u>* Annual Progress Report(s)</u>		<u>Expiration Date</u>
			<u>Due Date</u>	<u>Date Filed</u>	
CN1708-025A	Reg. One Ext. Care	12/2017	01/2019	n/a	02/2021**

* Annual Progress Reports – HSDA Rules require that an Annual Progress Report (APR) be submitted each year. The APR is due annually until the Final Project Report (FPR) is submitted (FPR is due within 90 ninety days of the completion and/or implementation of the project). Brief progress status updates are requested as needed. The project remains outstanding until the FPR is received.

** Anticipated Expiration Date. The Applicant has not received the actual CON as of date of this filing.

- 2) Provide a brief description of the current progress, and status of each applicable outstanding CON.

Response: See chart above. The Applicant was recently (December, 2017 hearing) approved for the addition of 6 LTACH beds to its existing 24 bed facility (CN1708-025A). We have not received the actual printed certificate, but believe our expiration date will be January, 2021.

G. Equipment Registry – For the applicant and all entities in common ownership with the applicant.

- 1) Do you own, lease, operate, and/or contract with a mobile vendor for a Computed Tomography scanner (CT), Linear Accelerator, Magnetic Resonance Imaging (MRI), and/or Positron Emission Tomographer (PET)? _____
- 2) If yes, have you submitted their registration to HSDA? If you have, what was the date of submission? _____
- 3) If yes, have you submitted your utilization to Health Services and Development Agency? If you have, what was the date of submission? _____

Response: Not Applicable.

SECTION B: QUALITY MEASURES

Please verify that the applicant will report annually using forms prescribed by the Agency concerning continued need and appropriate quality measures as determined by the Agency pertaining to the certificate of need, if approved.

Response: The Applicant will report annually using forms prescribed by the Agency concerning continued need and appropriate quality measures as determined by the Agency pertaining to the certificate of need, if approved.

SECTION C: STATE HEALTH PLAN QUESTIONS

T.C.A. §68-11-1625 requires the Tennessee Department of Health's Division of Health Planning to develop and annually update the State Health Plan (found at <http://www.tn.gov/health/topic/health-planning>). The State Health Plan guides the State in the development of health care programs and policies and in the allocation of health care resources in the State, including the Certificate of Need program. The 5 Principles for Achieving Better Health are from the State Health Plan's framework and inform the Certificate of Need program and its standards and criteria.

Discuss how the proposed project will relate to the 5 Principles for Achieving Better Health found in the State Health Plan.

A. The purpose of the State Health Plan is to improve the health of the people of Tennessee.

Response: The Applicant provides inpatient long term acute care hospital (LTACH) services to an area that has recently lost many LTACH beds. An existing LTACH (Methodist Extended Care) closed and turned in its license to operate thirty-six (36) LTACH beds on June 20, 2016, and another existing LTACH (Select Specialty Hospital) turned in its approved CON to add twenty-four (24) beds on July 10, 2017. This means sixty (60) existing and/or approved LTACH beds will not be available to serve patients who need those services. This application, to add twenty-four (24) LTACH beds, is a small step in alleviating that problem, and will improve the health of the people of Tennessee who require such services.

The Applicant's goal of continuing to provide these appropriate and needed services is consistent with the State Health Plan, and this project will improve the health of Tennesseans.

B. People in Tennessee should have access to health care and the conditions to achieve optimal health.

Response: The Applicant will continue to provide a service currently needed by all citizens in the service area.

C. Health resources in Tennessee, including health care, should be developed to address the health of people in Tennessee while encouraging economic efficiencies.

Response: The development of services by the Applicant has always been the result of attempts to meet the needs of the Tennesseans it serves. There is an unmet need for LTACH care in the service area. There currently exist only ninety-three (93) LTACH beds in the service area, plus six (6) beds approved but not in service. However, one hundred fifty-three LTACH beds have been approved for the same service area, a shortage of fifty-four (54) beds. Therefore, the approval of this application will enhance the development of more LTACH services for residents in the proposed service area.

D. People in Tennessee should have confidence that the quality of health care is continually monitored and standards are adhered to by providers.

Response: Tennessee is fortunate to have an excellent licensing division of the Department of Health. The Board of Licensing Health Care Facilities provides standards for and monitoring of licensed health care providers. This Applicant will continue to be licensed by the Department of Health and will be certified by Medicare, and Medicaid (TennCare).

E. The state should support the development, recruitment, and retention of a sufficient and quality health workforce.

Response: The Applicant is committed to providing its staff both safe working conditions and continuing education.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper that includes a copy of the publication as proof of the publication of the letter of intent.

Response: Proof of Publication is attached.

NOTIFICATION REQUIREMENTS

(Applies only to Nonresidential Substitution-Based Treatment Centers for Opiate Addiction)

Note that T.C.A. §68-11-1607(c)(9)(A) states that "...Within ten (10) days of the filing of an application for a nonresidential substitution-based treatment center for opiate addiction with the agency, the applicant shall send a notice to the county mayor of the county in which the facility is proposed to be located, the state representative and senator representing the house district and senate district in which the facility is proposed to be located, and to the mayor of the municipality, if the facility is proposed to be located within the corporate boundaries of a municipality, by certified mail, return receipt requested, informing such officials that an application for a nonresidential substitution-based treatment center for opiate addiction has been filed with the agency by the applicant."

Failure to provide the notifications described above within the required statutory timeframe will result in the voiding of the CON application.

Please provide documentation of these notifications.

Response: Not Applicable.

DEVELOPMENT SCHEDULE

T.C.A. §68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. Complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.
2. If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph*, please state below any request for an extended schedule and document the "good cause" for such an extension.

Response: The Project Completion Forecast Chart is completed.

PROJECT COMPLETION FORECAST CHART

Assuming the Certificate of Need (CON) approval becomes the final HSDA action on the date listed in Item 1 below, indicate the number of days from the HSDA decision date to each phase of the completion forecast.

<u>Phase</u>	<u>Days Required</u>	<u>Anticipated Date [Month/Year]</u>
1. Initial HSDA decision date		04/2018
2. Architectural and engineering contract signed		
3. Construction documents approved by the Tennessee Department of Health		
4. Construction contract signed		
5. Building permit secured		
6. Site preparation completed		
7. Building construction commenced		
8. Construction 40% complete		
9. Construction 80% complete		
10. Construction 100% complete (approved for occupancy)		
11. *Issuance of License		07/2018
12. *Issuance of Service		08/2018
13. Final Architectural Certification of Payment		
14. Final Project Report Form submitted (Form HR0055)		

*For projects that **DO NOT** involve construction or renovation, complete Items 11 & 12 only.

NOTE: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date

2018 JAN 11 PM 4:05

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

E. Graham Baker, Jr., being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. §68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete to the best of his knowledge, information and belief.


SIGNATURE/TITLE

Sworn to and subscribed before me this 11TH day of JANUARY, 2018
(Month) (Year)

a Notary Public in and for the County/State of Davidson/Tennessee.


NOTARY PUBLIC

My commission expires 8/20, 2019
Month/Day (Year)



LONG TERM CARE HOSPITAL BEDS

LONG TERM CARE HOSPITAL BEDS

A. Need

1. The need for long term care hospital (LTH) beds shall be determined by applying the guidelines of (0.5) beds per 10,000 population in the service area of the proposal.

The above guideline was utilized. The Applicant used the "Formula for 0.5 Long Term Care Beds per 10,000 Population by County" chart supplied by the Tennessee Department of Health, Office of Healthcare Facility Statistics. TDOH Chart is attached.

2. If the project is a bed addition, existing long term care hospital beds must have a minimum average occupancy of 85%.

The Applicant operated at 84.2% in 2017 based on licensed beds, and 96.3% based on staffed beds.

3. The population shall be the current year's population, projected two years forward.

The above guideline was utilized. The Applicant used the "Formula for 0.5 Long Term Care Beds per 10,000 Population by County" chart supplied by the Tennessee Department of Health, Office of Healthcare Facility Statistics.

4. The primary service area can not be smaller than the applicant's Community Service Area (CSA). If LTH beds are proposed within an existing hospital, CSAs served by the existing facility can be included along with consideration for populations in adjacent states when the applicant provides documentation (such as admission sources from the Joint Annual Report).

The facility's existing service area is primarily Shelby County, Tennessee, plus coterminous counties in Mississippi and Arkansas. As the service being provided is very specialized, patients originate from a wide geographic area. A few of our patients originate in some of the western counties in Tennessee and Missouri and Alabama, but not enough to be included in the primary service area. As shown on Attachment B.Need.C, in 2015, approximately 83% of the Applicant's patients from Tennessee originated from Shelby County, approximately 53% of all patients originated from Shelby County, approximately 63% of its patients originated from Tennessee and approximately 37% of its patients came from out of state. Regarding the out of state patients, about 57% originated from Mississippi, and about 40% came from Arkansas. The approval of these relatively few beds is not expected to alter the existing service area of the Applicant.

5. Long-term care hospitals should have a minimum size of 20 beds.

The Applicant is currently licensed for 24 beds, and approved for an additional 6 beds.

B. Economic Feasibility

1. The payer costs of a long-term hospital should demonstrate a substantial saving, or the services should provide additional benefit to the patient over the payer cost or over the provision of short-term general acute care alternatives, treating a similar patient mix of acuity.

LTACHs are a function of CMS. Prior to the creation of LTACHs, hospitals had to care for chronically ill patients – those requiring weeks and perhaps months of hospital stays. Based on traditional hospital reimbursement, acute care facilities lost tremendous amounts of funds caring for such individuals. This fact was recognized, and a special category of patients (long term acute care hospital patients) and resultant beds were established that received more appropriate reimbursement. This project continues that additional benefit to the patients they serve, all at a substantial savings over more traditional acute care.

2. The payer costs should be such that the facility will be financially accessible to a wide range of payers as well as to adolescent and adult patients of all ages.

This guideline is already being met, and will continue to be met.

3. Provisions will be made so that a minimum of 5% of the patient population using long term acute care beds will be charity or indigent care.

Fortunately, CMS recognizes the unique nature of these patients and provides LTACH facilities with substantial reimbursement to help cover the substantial costs incurred by the facilities. In effect, CMS tries to reimburse LTACH facilities in order to keep them in business. To that extent, most patients will qualify for some type of reimbursement. The Applicant recognizes that some patients may need charitable care, and provisions are made for such patients.

C. Orderly Development

1. Services offered by the long term care hospital must be appropriate for medically complex patients who require daily physician intervention, 24 hours access per day of professional nursing (requiring approximately 6-8 hours per patient day of nursing and therapeutic services), and on-site support and access to appropriate multi-specialty medical consultants.

Patient services should be available as needed for the most appropriate provision of care. These services should include restorative inpatient medical care, hyperalimentation, care of ventilator dependent patients, long term antibiotic therapy, long-term pain control, terminal AIDS care, and management of infectious and pulmonary diseases.

Also, to avoid unnecessary duplication, the project should not include services such as obstetrics, advanced emergency care, and other services which are not operationally pertinent to long term care hospitals.

The above guideline is met. The Applicant is a licensed LTACH, and provides appropriate long

term acute care services to the patients it serves.

2. The applicant should provide assurance that the facility's patient mix will exhibit an annual average aggregate length of stay greater than 25 days as calculated by the Health Care Finance Administration (HCFA), and will seek licensure only as a hospital.

The above guideline has been met, historically, and will continue to be met.

3. The applicant should provide assurance that the projected caseload will require no more than three (3) hours per day of rehabilitation.

The above guideline has been met, historically, and will continue to be met.

4. Because of the very limited statewide need for long term hospital beds, and their high overall acuity of care, these beds should be allocated only to community service areas and be either inside or in close proximity to tertiary referral hospitals, to enhance physical accessibility to the largest concentration of services, patients, and medical specialists.

The above guideline has been met, historically, and will continue to be met. The Applicant is located inside a tertiary facility.

5. In order to insure that the beds and the facility will be used for the purpose certified, any certificate of need for a long term care hospital should be conditioned on the institution being certified by the Health Care Financing Administration as a long term care hospital, and qualifying as PPS-exempt under applicable federal guidelines. If such certification is received prior to the expiration date of the certificate of need, as provided in Tennessee Code Annotated (TCA), Section 68-11-108(c), the certificate of need shall expire, and become null and void.

The Applicant accepts this condition.



Regional One Health

EXTENDED CARE

January 11, 2018

Melanie Hill, Executive Director
Health Services and Development Agency
500 Deaderick Street, Suite 850
Nashville, Tennessee 37243

RE: Regional Med Extended Care Hospital, LLC d/b/a Regional One Health Extended Care Hospital

Mrs. Hill,

I am the Administrator/CEO of Regional Med Extended Care Hospital d/b/a Regional One Health Extended Care Hospital. Our latest financials, submitted with our Certificate of Need application, indicate that we have sufficient cash reserves to fund the \$1,240,000 project. While the projected cost of the project exceeds \$8 million, the remainder will be provided for under a lease arrangement.

This is to notify you that our cash reserves are available for this project. Please do not hesitate to contact me with any questions at (901) 515-3030 or via email at mkelly@regionalonehealth.org.

Sincerely,

Mark A. Kelly
Administrator and CEO



Tre Hargett
Secretary of State

Division of Business Services
Department of State

State of Tennessee
312 Rosa L. Parks AVE, 6th FL
Nashville, TN 37243-1102

Filing Information

Name: Regional Med Extended Care Hospital LLC

General Information

SOS Control #	000512916	Formation Locale: TENNESSEE
Filing Type:	Limited Liability Company - Domestic	Date Formed: 02/08/2006
	02/08/2006 10:55 AM	Fiscal Year Close 12
Status:	Active	Member Count: 1
Duration Term:	Expires: 12/31/2045	
Managed By:	Director Managed	

Registered Agent Address

MONICA N WHARTON
877 JEFFERSON AVE
MEMPHIS, TN 38103-2807

Principal Address

877 JEFFERSON AVE
MEMPHIS, TN 38103-2807

The following document(s) was/were filed in this office on the date(s) indicated below:

Date Filed	Filing Description	Image #
03/16/2017	2016 Annual Report	B0361-6405
	Member Count Changed From: 5 To: 1	
03/30/2016	2015 Annual Report	B0212-5727
03/26/2015	2014 Annual Report	B0077-0305
	Member Count Changed From: 1 To: 5	
05/07/2014	Assumed Name	7340-1671
	New Assumed Name Changed From: No Value To: Regional One Health Extended Care Hospital	
03/31/2014	2013 Annual Report	7315-1002
06/07/2013	Articles of Amendment	7212-0729
	Filing Name Changed From: MEMPHIS LONG TERM CARE SPECIALITY HOSPITAL LLC To: Regional Med Extended Care Hospital LLC	
	Principal Address 3 Changed From: MONICA N. WHARTON, ESQ. To: No value	
06/06/2013	2012 Annual Report	A0188-1952
	Principal Address 1 Changed From: 3391 OLD GETWELL RD To: 877 JEFFERSON AVE	
	Principal Address 3 Changed From: No value To: MONICA N. WHARTON, ESQ.	
	Principal Postal Code Changed From: 38118-3635 To: 38103-2807	
	Managed By Changed From: Member Managed To: Director Managed	

Filing Information

Name: Regional Med Extended Care Hospital LLC

Registered Agent First Name Changed From: MICHAEL To: MONICA	
Registered Agent Middle Name Changed From: D To: N	
Registered Agent Last Name Changed From: BRENT To: WHARTON	
Registered Agent Physical Address 1 Changed From: 1600 DIVISION ST To: 877 JEFFERSON AVE	
Registered Agent Physical Address 2 Changed From: STE 700 To: No Value	
Registered Agent Physical City Changed From: NASHVILLE To: MEMPHIS	
Registered Agent Physical County Changed From: DAVIDSON COUNTY To: SHELBY COUNTY	
Registered Agent Physical Postal Code Changed From: 37203-2771 To: 38103-2807	
06/04/2013 Notice of Determination	A0180-1641
09/07/2012 2010 Annual Report	7094-0179
Principal Postal Code Changed From: 38118 To: 38118-3635	
09/07/2012 2011 Annual Report	7094-0180
09/07/2012 Application for Reinstatement	7094-0181
Filing Status Changed From: Inactive - Dissolved (Administrative) To: Active	
Inactive Date Changed From: 08/09/2011 To: No Value	
08/09/2011 Dissolution/Revocation - Administrative	A0088-2488
Filing Status Changed From: Active To: Inactive - Dissolved (Administrative)	
Inactive Date Changed From: No Value To: 08/09/2011	
06/02/2011 Notice of Determination	A0076-0749
09/10/2010 Application for Reinstatement	6768-2014
Filing Status Changed From: Inactive - Dissolved (Administrative) To: Active	
Inactive Date Changed From: 08/08/2010 To: No Value	
09/10/2010 2009 Annual Report	6768-2013
08/08/2010 Dissolution/Revocation - Administrative	A0040-3155
Filing Status Changed From: Active To: Inactive - Dissolved (Administrative)	
06/03/2010 Notice of Determination	A0026-0821
11/05/2009 2008 Annual Report	6620-1300
10/09/2009 Notice of Determination	A0001-0756
02/20/2009 Application for Reinstatement	6450-1902
02/20/2009 2007 Annual Report	6450-1901
04/02/2008 Dissolution/Revocation - Revenue	6278-0325
11/21/2007 Assumed Name	6160-1057
09/20/2007 Common Amendment	6130-1314
09/18/2007 Application for Reinstatement	6130-0657
09/18/2007 2006 Annual Report	6130-0656
08/27/2007 Dissolution/Revocation - Administrative	ROLL 6097

Filing Information

Name: **Regional Med Extended Care Hospital LLC**

06/21/2007 Notice of Determination

ROLL 6065

05/17/2007 Articles of Amendment

6059-0458

Name Changed

02/08/2006 Initial Filing

5674-2173

Active Assumed Names (if any)

Regional One Health Extended Care Hospital

Date

Expires

05/07/2014

05/07/2019



Tre Hargett
Secretary of State

Division of Business Services
Department of State
State of Tennessee
312 Rosa L. Parks AVE, 6th FL
Nashville, TN 37243-1102

Filing Information

Name: **SHELBY COUNTY HEALTH CARE CORPORATION**

General Information

SOS Control #	000104378	Formation Locale:	TENNESSEE
Filing Type:	Nonprofit Corporation - Domestic	Date Formed:	06/15/1981
	06/15/1981 4:30 PM	Fiscal Year Close	6
Status:	Active		
Duration Term:	Perpetual		
Public/Mutual Benefit:	Public		

Registered Agent Address

MONICA N WHARTON
877 JEFFERSON AVE
MEMPHIS, TN 38103-2807

Principal Address

MONICA N. WHARTON
877 JEFFERSON AVE
MEMPHIS, TN 38103-2807

The following document(s) was/were filed in this office on the date(s) indicated below:

Date Filed	Filing Description	Image #
12/06/2016	Assumed Name	B0319-9264
	New Assumed Name Changed From: No Value To: Regional One Health Rehabilitation Hospital	
09/13/2016	2016 Annual Report	B0280-7817
02/26/2016	Assumed Name Renewal	B0205-1805
	Assumed Name Changed From: Regional Medical Center at Memphis To: Regional Medical Center at Memphis	
	Expiration Date Changed From: 04/11/2016 To: 02/26/2021	
08/28/2015	2015 Annual Report	B0137-4831
05/28/2015	Assumed Name	B0104-3553
	New Assumed Name Changed From: No Value To: Regional One Health Subacute Care	
09/24/2014	2014 Annual Report	B0006-5152
	Principal Address 3 Changed From: No value To: MONICA N. WHARTON	
09/17/2014	Amended and Restated Formation Documents	B0003-2481
	Principal Address 3 Changed From: MONICA N. WHARTON To: No value	
02/27/2014	Assumed Name	7293-0230
	New Assumed Name Changed From: No Value To: Regional Medical Center	
02/20/2014	Assumed Name	7289-0207
	New Assumed Name Changed From: No Value To: Regional One Health	

Filing Information

Name: SHELBY COUNTY HEALTH CARE CORPORATION

11/05/2013 2013 Annual Report	7251-1644
09/18/2012 2012 Annual Report	7096-0422
Principal Address 3 Changed From: No value To: MONICA N. WHARTON	
02/21/2012 Amended and Restated Formation Documents	6999-2738
Principal Address 1 Changed From: 877 JEFFERSON AVENUE To: 877 JEFFERSON AVE	
Principal Postal Code Changed From: 38103 To: 38103-2807	
09/29/2011 2011 Annual Report	6943-1870
04/11/2011 Assumed Name Renewal	6877-2034
Assumed Name Changed From: THE REGIONAL MEDICAL CENTER AT MEMPHIS To: THE REGIONAL MEDICAL CENTER AT MEMPHIS	
Expiration Date Changed From: 05/23/2011 To: 04/11/2016	
04/11/2011 Assumed Name Change	6883-0157
Assumed Name Cancelled Changed From: No Value To: THE REGIONAL MEDICAL CENTER AT MEMPHIS	
New Assumed Name Changed From: No Value To: Regional Medical Center at Memphis	
09/30/2010 2010 Annual Report	6776-3221
10/07/2009 2009 Annual Report	6609-2422
11/10/2008 Registered Agent Change (by Entity)	6398-1272
Registered Agent Changed	
08/07/2008 2008 Annual Report	6360-1232
06/27/2007 2007 Annual Report	6080-2141
06/11/2007 Amended and Restated Formation Documents	6071-1204
01/16/2007 2006 Annual Report	5917-0341
12/01/2006 Notice of Determination	ROLL 5893
05/23/2006 Assumed Name	5797-0604
02/01/2006 2005 Annual Report	5673-1570
12/01/2005 Notice of Determination	ROLL 5617
10/04/2004 2004 Annual Report	5248-1491
12/11/2003 2003 Annual Report	4982-0725
12/11/2003 Assumed Name	4982-0727
07/03/2003 Assumed Name	4855-1512
07/05/2002 2002 Annual Report	4544-0739
02/05/2002 2001 Annual Report	4412-3028
12/21/2001 Notice of Determination	ROLL 4376
08/01/2000 2000 Annual Report	3966-0242
12/31/1998 Merger	3601-2051

Merged Control # Changed From: 000104378

8/11/2017 8:32:30 AM

Filing Information

Name: SHELBY COUNTY HEALTH CARE CORPORATION

Merged Control # Changed From: 000270481	
12/31/1998 Merger	3601-2054
Merged Control # Changed From: 000104378	
Merged Control # Changed From: 000222713	
09/09/1998 Assumed Name Renewal	3558-2965
03/11/1998 CMS Annual Report Update	3467-0972
Registered Agent Changed	
12/19/1997 Notice of Determination	ROLL 3425
03/25/1996 Registered Agent Change (by Entity)	3144-0010
Registered Agent Physical Address Changed	
Registered Agent Changed	
03/07/1995 Registered Agent Change (by Agent)	2970-0379
Registered Agent Physical Address Changed	
12/17/1993 Notice of Determination	ROLL 2766
10/18/1993 Assumed Name	2747-0136
08/30/1991 CMS Annual Report Update	2256-0987
Mail Address Changed	
10/22/1990 Articles of Amendment	1971-0675
Principal Address Changed	
Registered Agent Physical Address Changed	
05/10/1990 Common Amendment	1762-1040
03/16/1990 Dissolution/Revocation - Administrative	ROLL 1685
12/29/1989 Administrative Amendment	1580-1741
Mail Address Changed	
12/15/1989 Notice of Determination	ROLL 1577
08/04/1988 Assumed Name	906-0005
05/13/1986 Articles of Amendment	611 01687
05/10/1985 Articles of Amendment	542 01037
07/15/1981 Articles of Amendment	219 01080
06/15/1981 Initial Filing	215 00147

Active Assumed Names (if any)

	Date	Expires
Regional One Health Rehabilitation Hospital	12/06/2016	12/06/2021
Regional One Health Subacute Care	05/28/2015	05/28/2020
Regional Medical Center	02/27/2014	02/27/2019
Regional One Health	02/20/2014	02/20/2019
Regional Medical Center at Memphis	04/20/2011	02/26/2021

REGIONAL MED EXTENDED CARE HOSPITAL LEASE AGREEMENT

Prepared By Murer Consultants, Inc.

This Lease agreement (the "Lease") is made and entered into this 23rd day of September, 2013, by and between Shelby County Health Care Corporation d/b/a Regional Medical Center at Memphis, a Tennessee not-for-profit corporation and acute care hospital located at 877 Jefferson Ave., Memphis, TN 38103, hereinafter ("Lessor") and Regional MED Extended Care Hospital a Tennessee limited liability company and long term acute care hospital located at 890 Madison Avenue, 4th Floor, Memphis, Tennessee, hereinafter ("Lessee").

WITNESSETH, THAT:

WHEREAS, Lessor desires to lease to Lessee and Lessee desires to lease from Lessor certain premises for the operation of a long term acute care hospital (LTACH), as subject to federal and state regulations, and the terms and conditions hereinafter set forth.

WHEREAS, Lessor leases that certain property as part of a 50 year agreement with the county, to be leased to Lessee described in Section 1.01, with room for not less than twenty- four (24) licensed patient beds and space for related support services and facilities as required for state licensure and federal certification.

WHEREAS, Lessee is engaged in the ownership, operation and management of LTACHs. For purposes of this Lease the term LTACH shall mean a hospital that meets state licensure requirements, is Medicare certified and accepts patients with chronic disorders including, but not limited to, complex medical, cardiac and respiratory conditions and those dependent upon ventilator care whose conditions are so significant that an inpatient stay of twenty-five (25) days or more is expected.

NOW THEREFORE, in consideration of the Rental Amount (as defined below) and the conditions, covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

ARTICLE 1. PREMISES, TERM, RENT, DELIVERY OF POSSESSION, AND OCCUPANCY

Section 1.01 Premises

In consideration of the rents, covenants and agreements set forth in this Lease, Lessor does hereby lease to Lessee, and Lessee does hereby lease from Lessor, 24,000 square feet of space (hereinafter the "Leased Premises") located at 890 Madison Avenue, 4th Floor, Memphis, Tennessee 38103, with parking reasonably sufficient for the needs of Lessee's employees, physicians, patients and visitors. The Leased Premises is identified further on the floor plan attached hereto as Exhibit A. Regional Medical Center at Memphis, in which the Leased Premises are located, is referred to as the "Hospital." For all purposes of this Lease, the Leased Premises shall be treated as comprising the number of square feet indicated above.

In addition to the Leased Premises, Lessee shall have use of space in common with other portions of the Hospital designated by Lessor from time to time as common areas (the "Common Areas") which include corridors, lobbies, elevators, rest rooms, parking areas, access drives, cafeteria, and medical library, Lessee's employees, patients and families shall have access to such identified space (if appropriate), subject to the terms of this Lease governing use of the Common Areas.

Lessor retains for itself, its patients, clients, guests and invitees a nonexclusive easement for ingress and egress through the hallways within the Leased Premises highlighted in yellow on Exhibit A.

Section 1.02 Term

The initial term of this Lease shall begin on the date of Lessee's receipt of Medicare certification to operate a LTACH in the State of Tennessee (the "Commencement Date.") The initial term shall be for a period of five (5) years from the Commencement Date with an option for five (5) consecutive additional five (5) year terms. This Lease shall automatically renew for the additional five (5) year term under identical terms and conditions unless either party provides written notice to the other at least one hundred eighty (180) days prior to the end of the initial term of the intent not to renew for the additional term. For purposes of this Agreement, "Term" will mean the initial five (5) year term or any additional renewal term(s) thereof.

Section 1.03

Rent

Lessee shall pay to Lessor, without demand, deduction, offset or recoupment, the monthly sum of Forty Thousand Dollars (\$40,000), payable as specified in Article 2 (the "Rental Amount"). The Rental Amount shall include general physical plant maintenance, security, parking, access to Common Areas and utilities as provided in this Lease. The Rental Amount shall also include Utilities in accordance with Section 7.01. Lessor, as part of the Rental Amount shall provide hook-up and connection of all utilities reasonably required by Lessee, including natural gas, sewage, water, telephone services, computer system services and medical gases. The monthly rental amount of Forty Thousand Dollars (\$40,000) shall be increased by one percent (1%) annually. In addition, and notwithstanding the foregoing, for each renewal Term, Lessor and Lessee may mutually agree upon increases to the Rental Amount based on current market conditions at the time.

Section 1.04

Delivery of Possession and Build-Out

Lessor shall deliver to Lessee possession of the Leased Premises on the Commencement Date. Prior to the Commencement Date, Lessee shall be permitted entry onto the Leased Premises and the Common Areas and Lessor shall provide reasonable access to the Leased Premises and Common Areas to allow Lessee to perform any approved renovations necessary to put the Leased Premises in a condition suitable for the operation of the LTACH. Lessee shall within thirty (30) days before beginning any renovation within the Leased Premises, submit to Lessor for its approval an architectural design and construction plan, approval of which shall not be unreasonably withheld. Lessee shall be responsible for all costs associated with renovating the Leased Premises to meet local, state and federal regulatory or other requirements to renovate the Leased Premises and to operate the LTACH.

If Lessor shall be unable, for any reason whatsoever, or any cause beyond the Lessor's control, to deliver possession of the Leased Premises on the Commencement Date, Lessor shall not be liable to Lessee for any damage caused thereby, nor shall this lease thereby become void or voidable, nor shall the term hereof in any way be extended, but in such event Lessee shall not be liable for any rent until such time as Lessor can and does deliver possession.

Section 1.05

Occupancy

By taking possession of the Leased Premises, Lessee accepts the Leased Premises in its then current state and stipulates its suitability for Lessee's intended purpose. Lessor shall not be required to make any improvements or repairs to the Leased Premises, except for repairs and improvements herein specifically provided and assumed by Lessor.

Section 1.06. Permitted Use and Regulatory Requirements

The Leased Premises shall be used for the purpose of operating an LTACH consisting of twenty-four (24) licensed patient beds and space for related support services and facilities as required for Licensure and Certification (both as defined below). Lessee agrees to restrict the use of the Leased Premises to such purpose, and not to use, or permit the use of, the Leased Premises for any other purpose without first obtaining the Lessor's written consent, which consent may be withheld by Lessor in the exercise of its sole discretion. Lessee shall use its best efforts to obtain and thereafter maintain in effect during the Term (i) issuance of all necessary state licenses and approvals to operate the LTACH ("Licensure"), certification as a LTACH under the Medicare program ("Certification"), and accreditation of the LTACH by The Joint Commission or such other accrediting organization as may be recognized by state and federal regulatory authorities ("Accreditation"), if applicable. Lessee shall pay all fees and costs associated with obtaining and maintaining Licensure, Certification and Accreditation, if applicable. Lessee agrees to conform to and obey all present and future laws or ordinances, all rules, regulations, requirements and orders of all governmental authorities or agencies, respecting the use of the Leased Premises, including, without limitation, all rules, regulations and requirements of the local fire department, Fire Insurance Rating Organization, or any other similar authority having jurisdiction over the Leased Premises

ARTICLE 2. PAYMENT OF RENT

Section 2.01 Advance Rental and Payment

Lessee shall, on the Commencement Date, pay to Lessor the sum of Forty Thousand Dollars (\$40,000) as payment of the Rental Amount installment for the first month of the term of this Lease. If the Commencement Date falls on a date other than the first day of the month, the Rental Amount installment due shall be prorated for the first month on the basis of the number of days during such month this Lease is in effect in relation to the total number of days in that month.

The succeeding installments of the Rental Amount shall be due on the first day of each and every succeeding month of the Term, without notice, demand, deduction, offset or recoupment, and remitted to Lessor at Regional Medical Center at Memphis, 877 Jefferson Avenue, Memphis, Tennessee 38103. Lessor may from time to time designate other places for the payment of the Rental Amount by written notice to Lessee.

Section 2.02 Late Payment of Rent

If Lessee does not pay an installment of the Rental Amount on the day when the same shall become due and payable, and such failure shall continue for a period of ten (10) days, Lessee shall pay to Lessor a service charge at the rate of one percent (1%) per month on the amount of installment(s) of the Rental Amount then in arrears. Such service charge shall be imposed for the purposes of defraying administrative expenses of Lessor and is not intended as a penalty against Lessee. The provisions of this section shall not preclude Lessor from exercising its options as set forth in any other section of this Lease or as provided by law.

ARTICLE 3. MAINTENANCE, WASTE, AND NUISANCE

Section 3.01 Maintenance and Repairs

Lessor agrees that it will keep the common areas (including heating, air conditioning, plumbing, electrical fixtures and equipment), the exterior, structural parts and roof of the Hospital and the Leased Premises and the interior of the Leased Premises in good condition and repair and that it will make such repairs as they become necessary. Lessee shall promptly notify Lessor of the necessity for any repairs or maintenance known to Lessee. The costs and expenses associated with such repairs will be paid by Lessor. Notwithstanding the foregoing, where such repairs become necessary due to the negligence of either party or its employees, agents, patients or invitees, the negligent party will be responsible for all associated costs and expenses and will fully reimburse the non-negligent party within ten (10) days of written notice of same after the completion of such repairs.

Section 3.02 Waste and Nuisance

Lessee shall not do or permit anything to be done in the Leased Premises or the Hospital that may create a nuisance or disturbance within the Leased Premises or the Hospital. Lessee shall deliver the Leased Premises at the termination of this Lease in good repair and condition. In the event Lessee should neglect reasonably to maintain the Leased Premises, Lessor shall have the right, but not the obligation, to cause repairs or corrections to be made, and any reasonable costs thereof shall be payable by Lessee to Lessor as additional rent on the next rental amount installment date.

ARTICLE 4. RIGHTS AND REMEDIES

Section 4.01 Rights and Remedies

The rights and remedies provided by this Lease are cumulative and the exercise of any one right or remedy by either party shall not preclude or waive its right to exercise any or all other remedies provided to such party by law, statute, ordinance, or otherwise.

Section 4.02 Waiver of Default

No waiver by the parties hereto of any default or breach of any term, condition, or covenant of this Lease shall be deemed to be a waiver of any other breach of the same or any other term, condition, or covenant contained herein.

Section 4.03 Attorney's Fees

In the event either party to this Lease is required to seek relief from the courts of law or equity to enforce the terms of this Lease, the prevailing party of such action shall be entitled to reasonable attorneys' fees and costs related to bringing forth such action.

Section 4.04 Excuse

Neither Lessor nor Lessee shall be required to perform any term, condition, or covenant in this Lease so long as such performance is delayed or prevented by any acts of God, strikes, lockouts, material or labor restrictions by any governmental authority, civil riot, floods, and any other cause not reasonably within the control of the Lessor or Lessee and which by the exercise of due diligence Lessor or Lessee is unable, wholly or in part, to prevent or overcome.

ARTICLE 5. ASSIGNMENT

Section 5.01 Assignment

Either party shall have the right with the prior written consent of the other party to assign this Lease, and any interest therein, including the Lessee's right to sublet the Leased Premises, or any part thereof, or any right or privilege pertinent thereto, provided that each assignee assumes in writing all of the assignor's obligations under this Lease, and the assignor shall remain liable for each and every obligation under this Lease.

Consent to assign this Lease shall not be unreasonably withheld or delayed in the event of an internal restructuring of either party.

ARTICLE 6. INDEMNITY AND INSURANCE

Section 6.01 Indemnity and Insurance

Lessee agrees to indemnify and hold Lessor and the property of Lessor, including the Leased Premises and the Hospital, free and harmless from any and all claims, liability, loss, damage, costs, expenses, and causes of action of any kind or nature asserted against Lessor, arising from or in connection with Lessee's occupation and use of the Leased Premises, or the services performed by Lessee pursuant to this Lease or from any omission or from any activity, work, or things done, permitted or suffered by Lessee in or about the Leased Premises or the Hospital. Lessee shall further indemnify, pay, defend, and hold harmless Lessor from and against any and all damages, liabilities, losses, costs, judgments, expenses, claims, and causes of action arising from any intentional or negligent act or omission of Lessee or any of Lessee's employees, agents, contractors, invitees or patients, and from and against any action or proceeding brought thereon. In case of any such action or proceeding against Lessor, Lessee, upon written notice from Lessor, shall defend the same at Lessee's sole cost and expense by counsel satisfactory to Lessor. Without limiting the generality of the foregoing, Lessee's obligations of indemnity hereunder shall extend to any hazardous material, substances, or wastes which Lessee places, utilizes, or suffers to exist on or about the Leased Premises, except to the extent Lessor has agreed to provide storage or disposal services with respect to the same, and the claims, obligations, or liabilities arise in part or in whole out of Lessor's provision (or failure to provide) such services. All of Lessee's obligations of indemnity under this Lease shall survive the termination or expiration of the Term of this Lease.

Lessee agrees to obtain the following insurance to cover Lessee's activities on the Leased Premises: property insurance covering Lessee's personal property and stock, including all of Lessor's property located on the Leased Premises, professional liability, public and general liability insurance in amounts reasonably satisfactory to Lessor, and workers' compensation. Lessee will provide certificates from the insurance companies evidencing the above required policies. Lessee shall provide Lessor with at least thirty (30) days prior written notice of cancellation of or material change to any of the policies. If Lessee shall fail to obtain any of the required insurance, or any renewal thereof, or to deliver the certificate of the same to Lessor, Lessor shall have the right, but not the obligation, without relieving Lessee of default, to obtain such insurance for the account of Lessee, and the premium and any other costs thereof shall be immediately payable to Lessor by Lessee as additional rent.

Lessor agrees to indemnify and hold Lessee free and harmless from any and all claims, liability, loss, damage, costs, expenses, and causes of action of any kind or nature asserted against Lessee, arising from or in connection with Lessor's services performed pursuant to this Lease or from any omission or from any activity, work, or things done, permitted or suffered by Lessor in or about the

Leased Premises or the Hospital. Lessor shall further indemnify, pay, defend, and hold harmless Lessee from and against any and all damages, liabilities, losses, costs, judgments, expenses, claims, and causes of action arising from any intentional or negligent act or omission of Lessor or any of Lessor's employees, agents, contractors, invitees or patients, and from and against any action or proceeding brought thereon. In case of any such action or proceeding against Lessee, Lessor, upon written notice from Lessee, shall defend the same at Lessor's sole cost and expense by counsel satisfactory to Lessee. Without limiting the generality of the foregoing, Lessor's obligations of indemnity hereunder shall extend to any hazardous material, substances, or wastes which Lessor places, utilizes, or disposes on or about the Leased Premises. All of Lessor's obligations of indemnity under this Lease shall survive the termination or expiration of the Term of this Lease. Regional Medical Center at Memphis GTLA is subject to our indemnity for any claims subject to acts are limited to amounts prescribed by the Act.

Section 6.02 Waiver of Subrogation

The parties anticipate that the fire insurance policies on the Leased Premises and on the contents therein or thereon (whether belonging to Lessor or Lessee) will contain a waiver of subrogation clause, which waiver shall read substantially as follows:

It is hereby stipulated that this insurance shall not be invalidated should the insured waive in writing prior to a loss any or all of recovery against any party for loss occurring to the property described herein or affected thereby.

Lessor and Lessee desire to obtain the benefit of the subrogation waiver and agree as follows:

- (a) Lessor and Lessee hereby waive any rights of recovery against the other for any damage to their respective properties, which are protected by their respective fire insurance policies applicable to the Leased Premises.
- (b) This Lease is not intended to and shall not in any way affect the coverage of Lessor's and Lessee's respective fire insurance policies or in any manner prejudice their rights under such insurance, and Lessor and Lessee agree that, should the waiver of subrogation clause be altered or deleted from their respective fire insurance policies or should their rights under such fire insurance policies become jeopardized by the agreement between them outlined in this Lease, then this waiver of subrogation shall

immediately become null and void without notice being required from either party to the other; and

- (c) Lessor and Lessee acknowledge that the waivers by the respective parties constitute full consideration each for the other.

ARTICLE 7. UTILITIES

Section 7.01 Utilities

Lessor shall provide hook up and connection of all utilities reasonably required by Lessee, including telephone services, computer system services, and all related equipment such as all phones and phone jacks.

Lessor shall during the Term pay all charges incurred by Lessee for telephone, and Lessor shall pay Lessee's share for gas, electricity, sewage, and water used in or on the Leased Premises and for the removal of rubbish therefrom as part of the rent as stipulated in Section 1.03.

ARTICLE 8. SIGNAGE

Section 8.01 Signage

Lessor shall provide and/or permit all reasonably necessary and appropriate signage for Lessee. Lessor shall provide and/or permit all reasonable and necessary access to and for space required for signage display. Signage includes but is not limited to outdoor signage on Leased Premises and Leased Building to notify the community of location and purpose, and indoor signage including offices, room numbers and other appropriate indicators.

Section 8.02 KEYS

Lessee agrees to promptly surrender all keys to the Leased Premises to Lessor upon the expiration or earlier termination of this Lease. Lessee further agrees to obtain return of keys to the Leased Premises from its employees upon termination of their employment.

ARTICLE 9. HAZARDOUS MATERIALS

Section 9.01 Lessee will not discharge, release, dispose of, or deposit on the Leased Premises any waste, including any pollutants, effluents, or hazardous materials ("Hazardous Materials"), in violation of any federal, state, or local law or regulation. Any Hazardous Materials generated by Lessee will be promptly

removed from the Leased Premises and disposed of in compliance with federal, state, and local laws and regulations. If at any time Lessee fails to comply with the terms of this Section, Lessor may remedy such default and Lessee must fully reimburse Lessor for any cost or expense it incurs in so acting within ten (10) days of receipt of written notice from Lessor.

ARTICLE 10. PARKING AND COMMON AREAS

Section 10.01 Parking and Common Areas

All Common Areas which shall include parking areas, driveways, entrances and exits thereto, and other facilities furnished by Lessor in or near the Leased Premises, including employee parking areas, the truck way or ways, loading docks, package pick-up stations, pedestrian sidewalks and ramps, landscaped areas, exterior stairways, elevators, waiting rooms, common lobby, restrooms and other areas and improvements provided by Lessor for the general use, in common, of Lessee and Lessor and the officers, agents, employees, patients, guests and invitees of either of them, shall at all times be subject to the exclusive control and management of Lessor.

Lessor shall have the right to construct, maintain and operate lighting facilities and improvements on all Common Areas; to police the same; from time to time to change the area, level, location and arrangement of parking areas and other Common Areas referred to above; to close temporarily all or any portion of the parking areas or other Common Areas; and to do and perform such other acts and make such other improvements in and to the Common Areas as Lessor shall determine to be advisable. Lessor will operate and maintain the Common Areas in such manner as Lessor, in its sole discretion, shall determine from time to time. Without limiting the scope of such discretion, Lessor shall have the full right and authority to employ all personnel and to make all rules and regulations pertaining to and necessary for the proper operation and maintenance of the Common Areas.

ARTICLE 11. ALTERATIONS, IMPROVEMENTS, AND FIXTURES

Section 11.01 Alterations, Improvements, and Fixtures

Except as otherwise provided in this Lease, Lessee shall not, without the prior written consent of Lessor to do so, alter or improve the Leased Premises, attach any fixtures in or to the Leased Premises, permit any annoying sound device, install any additional locks, overload any floor, or deface the Leased Premises. Any and all alterations, additions, and fixtures (except trade fixtures, which Lessee shall be permitted to remove from the Leased Premises at any time during the Term hereof if Lessee is not in default under this Lease and such

removal can be effected without injury to the Leased Premises) made or placed in or on the Leased Premises by Lessee shall on expiration, or earlier termination of this Lease, belong to Lessor without compensation to Lessee. Notwithstanding the foregoing, Lessor shall have the option to be exercised on expiration or earlier termination of this Lease, to require Lessee to remove any or all of such additions, improvements, or fixtures and to restore the Leased Premises, at Lessee's expense, to its original condition, ordinary wear and tear from reasonable use excepted. Before installing any fixtures in or on the Leased Premises, Lessee shall submit plans and designs therefor to Lessor for its approval, and in the event that the plans and designs are disapproved by Lessor, such fixtures shall not be installed until any changes required by Lessor are made.

Section 11.02 Inspection by Lessor

Lessee shall permit Lessor and its agents to enter into and upon the Leased Premises at all reasonable times and without abatement of the Rental Amount for the purpose of inspecting the Leased Premises or for the purpose of maintaining or making repairs or alterations to the Hospital. Lessee further agrees that during the six (6) months preceding the end of the Term, Lessor may show the Leased Premises to persons wishing to rent it, provided Lessor gives Lessee reasonable prior notice of any showings and such showings are carried out so as not to unreasonably interfere with the use of the Leased Premises by Lessee in the operation of the LTACH.

Section 11.03 Destruction or Damage to the Leased Premises

If during the term of this lease, the Leased Premises or the Hospital is, because of fire, the elements, Act of God, or any cause not brought about by the negligence of Lessor, either destroyed or partially destroyed so as to render the Leased Premises wholly unfit for occupancy and if in the judgment of Lessor the damage resulting cannot be repaired within sixty (60) days from such damage, or if the Hospital or any part thereof is so injured or destroyed that Lessor shall decide to demolish, rebuild, or reconstruct the Hospital or any part thereof, this Lease shall, at the option of either party, terminate from the date of such damage destruction, or decision, and Lessee shall immediately surrender the Leased Premises to Lessor, and in such event Lessee shall continue to owe and pay installments of the Rental Amount up to, but not beyond, the time of such surrender. If the Leased Premises shall be injured or damaged by fire, the elements, Acts of God, or any cause not brought about by the negligence of Lessor, but not rendered untenable and Lessor shall determine not to demolish, rebuild or reconstruct as above, Lessor shall repair such damage within a reasonable time after written notice to it of such damage. Installments of the Rental Amount shall be equitably abated during such period to account for any days Lessee is unable to utilize the Leased Premises.

Section 11.04 Eminent Domain

If more than twenty-five percent (25%) of the occupiable area of the Leased Premises shall be conveyed to or taken by any authorized entity under threat of or by eminent domain, this Lease shall terminate as of the date when possession thereof is surrendered by Lessee and all rights of Lessee in this Lease shall immediately cease and terminate. If twenty-five percent (25%) or less of the occupiable area of the Leased Premises shall be so conveyed or taken, the Rental Amount for the Premises shall be proportionately abated or either party may elect to terminate this Lease by giving the other party thirty (30) days' written notice of such election.

Section 11.05 Liability of Lessor

Lessor does not warrant that any services to be provided by Lessor will be free from interruption due to causes beyond Lessor's reasonable control. The temporary interruption of services or delay in the making of repairs will not be deemed an eviction nor disturbance of Lessee's use and possession of the Leased Premises nor render Lessor liable to Lessee for damage by set-off or abatement of the Rental Amount or otherwise, nor will it relieve Lessee from performance of Lessee's obligations under this Lease. Furthermore, Lessor shall not be liable to Lessee for damage to person or property caused by defects in the cooling, heating, electric, water, natural gas, elevator or other apparatus or systems or by water or natural gas discharged from systems, including sprinkler systems, if any, in the Hospital, nor for the theft, mysterious disappearance, or loss of any property of Lessee whether from the Leased Premises, or any part of the Hospital or property adjoining the Hospital. Lessor agrees to make reasonable efforts to protect Lessee from interference or disturbance by third persons including other tenants of the Hospital; however Lessor shall not be liable for any such interference or disturbance whether caused by another tenant or tenants of Lessor or other person, nor shall Lessee be relieved from any obligation herein because of such interference, disturbance or breach.

Section 11.06 Subordination

This Lease is and shall be subordinate to any encumbrance or mortgage now or hereafter affecting title to the real property on which the Hospital is situated. Lessee agrees upon Lessor's request from time to time to execute any paper or papers prepared, at Lessor's expense, which Lessor or any mortgagee, mortgagor, or subsequent purchaser may deem necessary to subject and subordinate this Lease to the lien of any mortgage or other encumbrance now or hereafter affecting title to the real property on which the Hospital is situated. At every request of the holder or holders of such mortgages or notes, Lessee agrees to promptly execute lease ratification agreements showing that this Lease is in full force and effect, that the Lessee is then in possession of the Leased Premises and paying the full Rental Amount, that no installments of the Rental

Amounts have been made in advance except as therein stated, and stating the Commencement Date. The failure of Lessee to execute any such instruments, releases, or documents will constitute a default under this Lease. In case of the failure of Lessee to execute said instruments on demand, Lessor is authorized, as the attorney and agent of Lessee, to execute such releases, instruments, or other documents, and in such event, Lessee confirms and ratifies any instruments executed by virtue of this power of attorney

ARTICLE 12. QUIET POSSESSION

Section 12.01 Quiet Possession

Lessee shall, on the Commencement Date of the Term of this Lease, will peacefully and quietly hold, occupy and enjoy the Leased Premises during the Term without any hindrance or molestation by Lessor or any persons lawfully claiming under Lessor, subject, however, to the provisions of this Lease.

Section 12.02 Covenant Regarding Encumbrances

Lessor covenants that the Leased Premises are not subject to any lien, claim, or encumbrance, except as hereinafter set forth, and that it is not in default or arrears in the making of any payment or performance of any obligation relating to the Leases Premises.

ARTICLE 13. ELEVATORS

Section 13.01 Elevators

Lessor shall provide access to and use of necessary elevator facilities to Lessee, its officers, agents, employees, patients, and visitors. Lessor shall keep in good repair and working order all elevators utilized by Lessee, its officers, agents, employees, patients and visitors.

ARTICLE 14. DEFAULT

Section 14.01 Default

Failure of Lessee to pay any installment of the Rental Amount or other sums due and owing under this Lease, as and when the same becomes due and payable, or the failure of Lessee to promptly and faithfully to keep and perform each and every covenant, agreement and stipulation in this Lease on the part of Lessee to

be kept and performed, shall, at the option of Lessor, constitute a default by Lessee under this Lease.

In the event that Lessee breaches this Lease, then Lessor shall provide written notice demanding cure of such breach. Such notice shall indicate the specific term or terms of this Lease which have been breached and describe, in reasonable detail, the event or events that have caused the breach. If the event causing such notice is the bankruptcy, or appointment of a receiver for the Lessee, then this Lease shall terminate forthwith, unless it is with respect to an involuntary proceeding in which case this Lease shall terminate if such proceeding is not dismissed within ninety (90) days. If the event causing such notice is other than bankruptcy or insolvency, Lessee shall have a period of thirty (30) days following receipt of such notice to cure the breach. If Lessee defaults in the payment of any installment of the Rental Amount, Additional Rent or other sums due and owing under this Lease, Lessee shall have a period of ten (10) days following receipt of written notice from Lessor to cure such payment default. If Lessee fails to correct or remedy the breach within such period, then Lessor may terminate this Lease immediately upon delivery of written notice to Lessee.

In the case of any breach or default of this Lease by Lessee, Lessor shall have all of the remedies, rights, and authority against and with respect to Lessee provided by law. If Lessee fails to perform any obligation under this Lease for the period provided above after written notice by Lessor (except that no notice is required in emergencies), Lessor will have the right (but not the duty) to perform the obligation on behalf and for the account of Lessee. In this event, Lessee must reimburse Lessor upon demand, as additional rent, for all expenses incurred by Lessor in performing Lessee's obligation.

Section 14.02 Effect of Governmental Regulations and Lessee Dissolution

Notwithstanding any other provisions of this Lease, this Lease may be terminated upon thirty (30) days' notice by Lessee in the event that legislative or administrative statutes, rules, regulations or other mandates which relate to reimbursement rates or the ability to receive reimbursement under the Medicare Prospective Payment System for Long Term Care Hospitals are enacted, imposed or revised such that the continued financial viability of Lessee is materially compromised.

Notwithstanding any other provision in this Lease, this Lease shall automatically terminate on the dissolution of the Lessee for any reason whatsoever.

Section 14.03 Removal of Lessee's Personal Property

If Lessee is not in default under this Lease, Lessee shall have the right at any time within thirty (30) days prior to the date of termination of this Lease, to

remove from the Leased Premises all personal property owned by Lessee, provided that Lessee shall surrender the Leased Premises to Lessor, as the Premises were upon the date of delivery to Lessee, ordinary wear and tear from reasonable use excepted. Lessee shall be responsible for any damage caused by the removal of Lessee's personal property.

ARTICLE 15. MISCELLANEOUS

Section 15.01 Notices and Addresses

All notices provided to be given under this Lease shall be given by certified mail or registered mail, addressed to the proper party or their registered agents, at the following addresses:

Lessor: Regional Medical Center at Memphis
877 Jefferson Avenue
Memphis, TN 38103

Attn: Bret Perisho, Vice President
Strategic Business Development

CC: Monica Wharton, Senior Vice President
Chief Legal Officer and General Counsel

Lessee: Regional Med Extended Care Hospital
890 Madison Avenue, 4th Floor
Memphis, TN 38103

Attn: Administrator

Section 15.02 Parties Bound

This Lease shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, legal representatives, successors, and assigns when permitted by this Lease.

Section 15.03 Applicable Law

This agreement shall be construed under and in accordance with the laws of the State of Tennessee. Venue shall be in court of competent jurisdiction that is located in or in proximity to Shelby County, Tennessee.

Section 15.04 Reporting Requirements and Patient Records

The parties agree that if this Lease is subject to the Medicare status and regulations governing access to books and records of subcontractors, each party shall retain and, for five (5) years after services are furnished hereunder, shall allow the authorized representatives of the other, the Comptroller General, the Tennessee Department of Health, and the Centers for Medicare and Medicaid Services (CMS) access to this Lease and to such books, records, and other documents that are necessary to verify the nature and extent of the costs of services. In the event either party receives a request for access, it agrees to notify the other immediately and to consult with the other party regarding what response will be made to the request. If either party carries out any responsibilities under this Lease through the use of a subcontractor, including any organization related by ownership or control, the party so contracting, if so required by any applicable laws or regulations shall obtain and forward to the other the subcontractor's written promise to be bound under this same Lease.

All medical charts and records of the patients and patient care with respect to patients for whom Lessee provides services under this Lease shall be the property of Lessee and, except as otherwise provided in this Lease, shall be kept by Lessee upon termination or expiration of this Lease. In the event that Lessee is in default and this Lease terminates pursuant to the terms of this Lease, Lessee shall cooperate with Lessor in transferring patient records for any patients which may be then housed in the Hospital in accordance with all applicable health care statutes, laws, rules, regulations and good and sound medical practice and Lessee shall, at all times, comply with such rules regarding transfer of ownership and/or operation in all respects.

Section 15.05 Renegotiation / Termination Due to Illegal Provision

In the event that CMS finds any provision of this Lease to be in contravention of any Federal regulation or law, Lessor and Lessee shall meet in good faith to promptly renegotiate this Lease to conform to Federal regulation or law. If such change is not acceptable to the other party to this Lease, notwithstanding any other provision of this Lease, either party shall be entitled to immediately terminate this Lease.

Section 15.06 Other Government Requirements

This Lease may be terminated upon thirty (30) days written notice by either party to the other should the federal or state government enact any new laws or regulations, reinterpret existing laws or regulations, that would substantially impair the operations of the Lessee's long term care hospital, or change the payment methodologies for long term care hospitals or should the Lessee not obtain or lose any required state license or Medicare certification to operate the long term care hospital.

Neither Lessor nor Lessee will have any obligation to refer any patients of either of them or any other person to Lessor or Lessee for the provision of any service or item of any kind. Lessor and Lessee acknowledge that the Leased Premises does not exceed the space which is reasonable and necessary for Lessee's operations as described in this Lease. All of the sums paid pursuant to this Lease are paid as rentals only, are set in advance, are consistent with fair market value (without regard to proximity to referral sources), do not exceed those rentals that are reasonable as determined in arms-length commercial transactions, are not determined in a manner that takes into account in any way any volume or value of referrals or business generated between the parties, are intended to fall within the applicable Federal anti-kickback safe harbor (42 C.F.R. §1001.952(b)), and are to be construed and applied in accordance with this paramount intent.

Section 15.07 Contingencies

The rights and obligations of Lessor and Lessee under this Lease are contingent upon the Lessee receiving any necessary approval from all appropriate Tennessee agencies permitting the licensure and operation of the LTACH on the Leased Premises, and is also contingent upon receipt of any necessary approvals and certifications from CMS permitting Medicare participation as an LTACH on the Leased Premises.

Lessee shall maintain in good standing, all of its federal, state and local licenses and certificates required by law and as a Medicare provider throughout the Term.

Section 15.08 Legal Construction

In case any one or more of the provisions contained in this Lease shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision hereof and this Lease shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

Section 15.09 Amendment

No amendment, modification, or alteration of the terms hereof shall be binding unless the same is put in writing, dated subsequent to the date hereof, and duly executed by the parties hereto.

Section 15.10 Time

Time is of the essence with respect to all provisions of this Lease.

Section 15.11 Enforceability

If any covenant or provision of this Lease is held to be invalid or unenforceable by a court of competent jurisdiction, such holding shall not affect the validity of the remaining covenants and provisions, it being the intention of the parties that this Lease be so construed as to render enforceable that portion of this Lease unaffected by such holding. The contractual provisions shall be deemed severable.

Section 15.12 Counterparts

This Lease may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one and the same instrument.

Section 15.13 Waiver

Failure by either party to enforce any of the provisions hereof for any length of time shall not be deemed a waiver of its rights set forth in this Lease. Such a waiver may be made only by an instrument in writing signed by the party sought to be charged with the waiver.

Section 15.14 Memorandum of Lease

Lessee agrees that it will not record this Lease. Both parties will, upon the request of either, execute and deliver a notice or memorandum of this Lease in the form permitted by statute and satisfactory for recording. If this Lease is terminated before the Term expires, the parties will execute and record an instrument acknowledging that fact and the actual date of termination of this Lease.

IN WITNESS WHEREOF, the undersigned Lessor and Lessee hereto execute this agreement as of the day and year first written above.

LESSOR: Shelby County Health Care Corporation

BY: 

TITLE: President/CEO

LESSEE: Regional MED Extended Care Hospital

BY: 

TITLE: CEO/Administrator

Notarization on Next Page

STATE OF TENNESSEE
COUNTY OF SHELBY

The foregoing instrument was acknowledged before me this day of 22nd
November, 2013, by Dr. Reginald Cooperwood, (title)
President/CEO

of Shelby County Health Care Corporation, a Tennessee nonprofit corporation,
on its behalf



My Commission Expires:
March 1, 2017

Emily Neyman
NOTARY PUBLIC

Print Name: Emily Neyman

My Comm. Expires: 3-1-17

STATE OF TENNESSEE
COUNTY OF SHELBY

The foregoing instrument was acknowledged before me this day of 22nd
November, 2013, by Mark Kelly, (title)
CEO/Administrator of

Regional MED Extended care Hospital, a Tennessee limited liability company



My Commission Expires:
March 1, 2017

Emily Neyman
NOTARY PUBLIC

Print Name: Emily Neyman

My Comm. Expires: 3-1-17

EXHIBIT A

Description of the Premises

OPTION TO LEASE

For and in consideration of \$1.00, cash in hand paid, the receipt of which is hereby acknowledged, and other good and valuable consideration, Shelby County Health Care Corporation, d/b/a Regional One Health ("ROH") hereby bargains, sells and grants to Regional MED Extended Care Hospital, LLC ("The LTACH"), its successors and assigns, the right and option to amend the current Lease Agreement between the parties dated September 23, 2013 (the "Lease"), to add an additional ²⁴ beds and support space located on the ~~second~~ ^{third} floor of Turner Tower on the campus of ROH (the "Premises") to expand the LTACH's operation of a long term acute care hospital from twenty-four (24) beds to ~~thirty~~ ^{forty-eight (48)} beds. The terms and conditions of the amendment to the Lease to be executed by and between the parties (the "Amendment") shall be in accordance with the terms and conditions set forth in this option and the Lease. If there is any conflict between the provisions of this Option to Lease and the Amendment, the provisions of the Amendment shall prevail. The LTACH must provide notice to ROH of its intention to exercise this Option, as provided below.

It is anticipated that the Amendment, when executed, shall be co-terminus with the Lease at an additional cost to The LTACH of One Hundred Twenty-Five Thousand Dollars (\$125,000) per year, and such Amendment shall be executed not later than sixty (60) days after The LTACH receives approval of a Certificate of Need from the Tennessee Health Services and Development Agency for its hospital to be expanded in the Premises. If The LTACH does not file a Certificate of Need within ninety (90) days of execution of this Option to Lease, this Option to Lease shall terminate and be of no further force and effect. If The LTACH's Certificate of Need application is petitioned for a Contested Case Hearing, this Option to Lease shall continue in effect until ten (10) days following any favorable decision on the Contested Case Hearing. If the parties fail to reach agreement as to the terms and conditions of the Amendment within thirty (30) days after The LTACH gives notice of its intent to exercise its Option to Lease, then this Option shall terminate and be of no further force and effect.

The provisions of this Option shall be binding upon and inure to the benefit of both parties and their respective heirs, successors and assigns.

This Option shall be construed in accordance with and governed by the laws of the State of Tennessee. Time is expressly declared to be of the essence of this Option.

IN WITNESS WHEREOF, the parties have signed this option on this 11 day of August, 2017.

SHELBY COUNTY HEALTH CARE CORPORATION

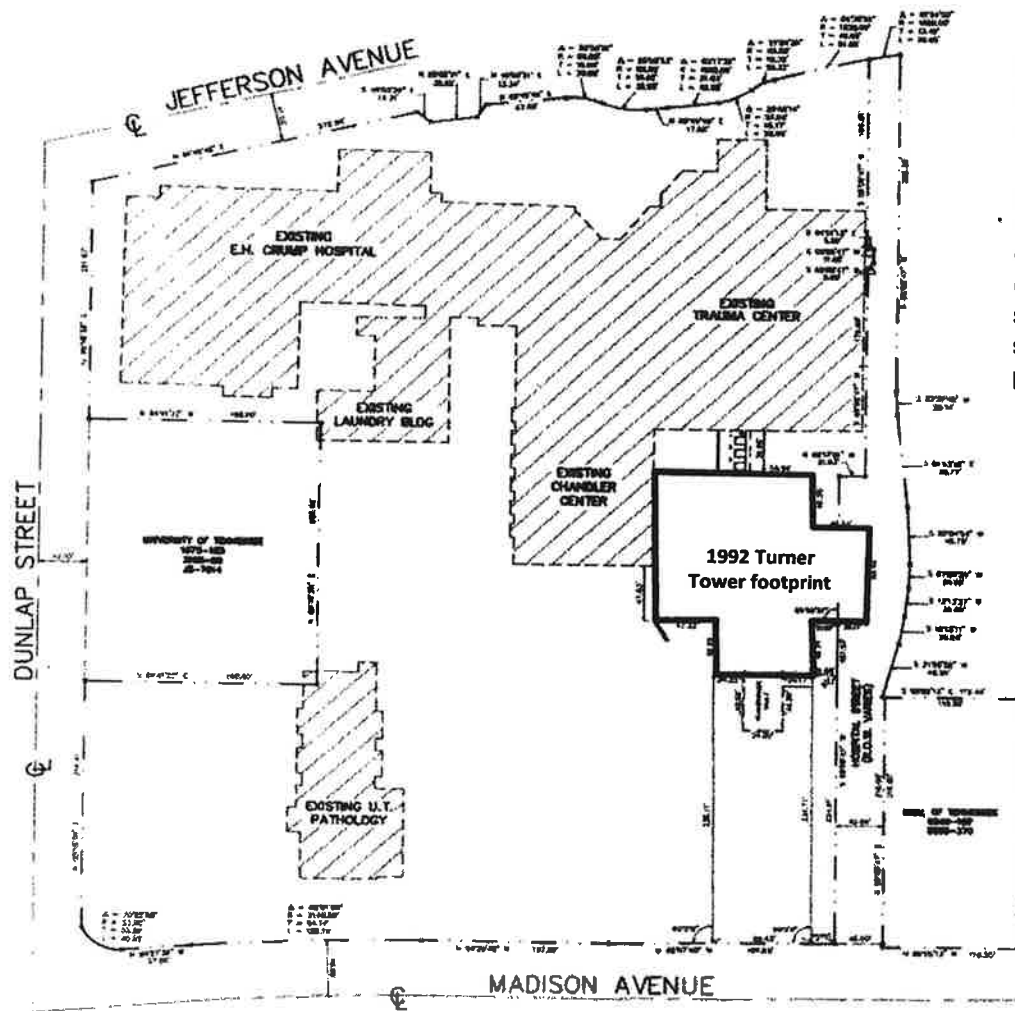
BY: J. Richard Wagers, Sr.

J. Richard Wagers, Sr. EVP/CFO

Regional MED Extended Care Hospital, LLC

BY: Mark A. Kelly

Mark A. Kelly, CEO/Administrator



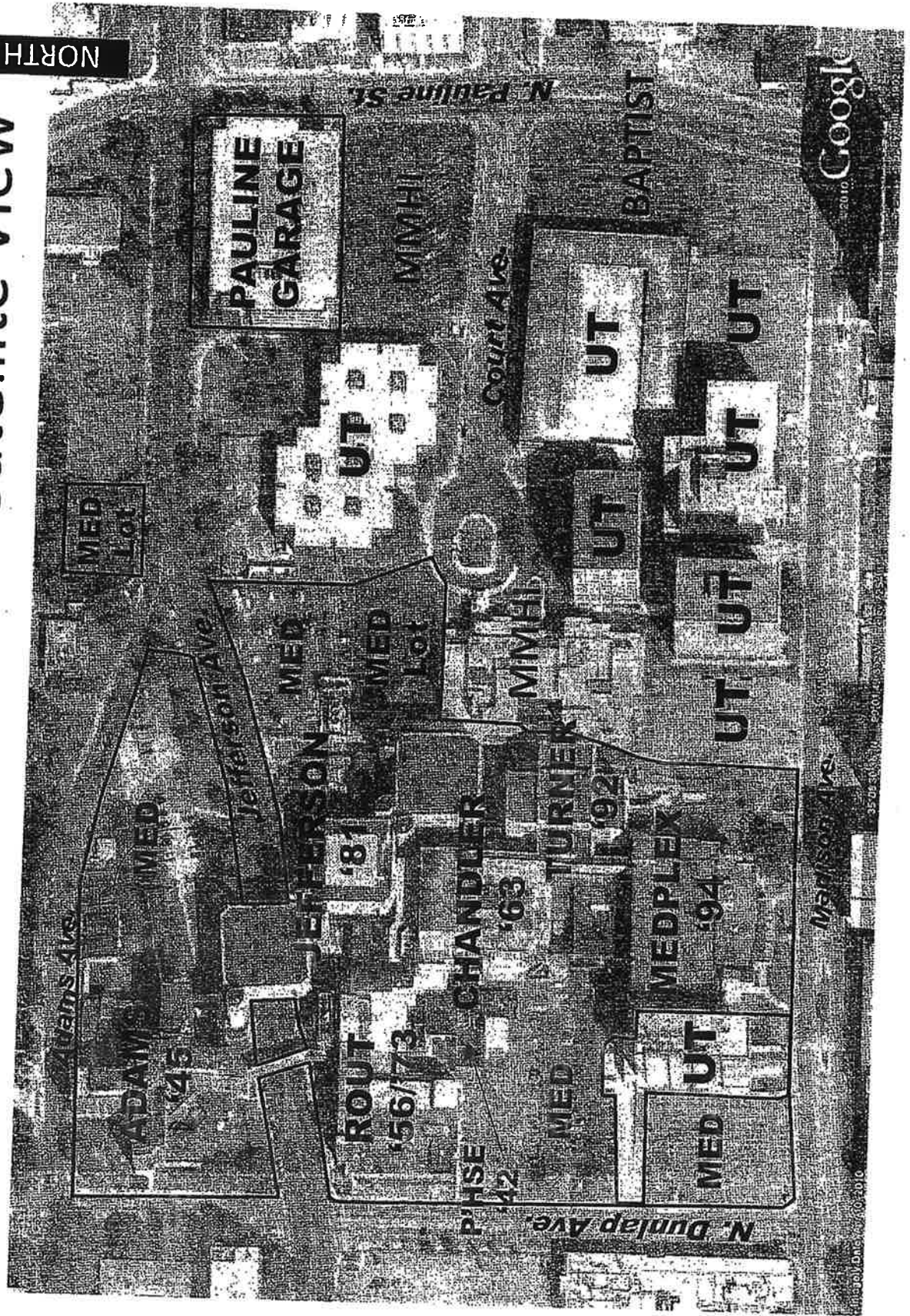
This is the original site plan from the building construction completed in 1992. The interior buildout project completed in 2014 did not include any work outside the building envelope. There was no sitework involved and no site plan was generated for permitting purposes.

18.55 ACRES ⁺



Regional Medical Center at Memphis +/- 18.55 Acres

Satellite View





① 2ND FLOOR DIMENSION PLAN - REHAB - TURNER TOWER

- B.** Describe the reasons for change in bed allocations and describe the impact the bed change will have on the applicant facility's existing services.

Response: Selected JAR utilization/statistics for the first 3 LTACHS located in Shelby County (not the Applicant) and listed in that order are indicated in the chart below. These numbers are taken off the most recent JARs available (2015).

The Applicant (Regional MED) lists data for 2017, our most recent data. It is important to note that the Applicant had been staffing only 21 beds since licensure. This restriction is a reflection of the layout of our beds, and staffing the additional three (3) beds on the fourth floor would result in financial loss. Therefore, the fact that we averaged 20.21 patients in a 21 bed facility is indicative of how our existing staffed beds are utilized to capacity (the reported 84.2% occupancy rate is based on licensed beds). Those 3 beds are now staffed.

Please see chart below:

Facility	# beds	# pts	Occ Rate	Gross	Adj.	Net
Baptist	30	22.89	76.3%	\$6,987.64	\$5,283.73	\$1,703.91
Methodist	36	31.46	87.4%	\$4,023.54	\$2,661.94	\$1,361.60
Select Specialty	39	36.66	94.0%	\$10,507.78	\$7,388.76	\$3,119.02
Regional MED	24	20.21	84.2%	\$8,499.58	\$6,683.20	\$1,816.38
Total	129	111.22	86.2%			

NOTE: Gross = Gross Operating Revenue per Patient Day

Adj. = Contractual Adjustments per Patient Day

Net = Net Operating Revenue per Patient Day

Further, the requested increase will have no impact on existing LTACH providers. If anything, it will help those providers by our having more beds for referrals from existing hospitals in Memphis. The Applicant provides inpatient long term acute care hospital (LTACH) services to an area that has recently lost many LTACH beds. Methodist LTACH closed on June 20, 2016, and its license has been surrendered. In addition, Select Specialty Hospital recently (July 10, 2017) voluntarily surrendered its approved CON for 24 additional LTACH beds. As a result, sixty (60) approved LTACH beds have recently been surrendered to either the Board of Licensing Health Care Facilities or the Health Services and Development Agency. This means sixty (60) existing and/or approved LTACH beds will not be available to serve patients who need those services. This application, to add twenty-four (24) LTACH beds, is a small step in alleviating that problem, and will improve the health of the people of Tennessee who require such services. Due to all of those beds being turned in, the addition of the few beds we request will have little impact on existing providers in the area.

LONG TERM CARE HOSPITAL BEDS

A. Need

1. The need for long term care hospital (LTH) beds shall be determined by applying the guidelines of (0.5) beds per 10,000 population in the service area of the proposal.

The above guideline was utilized. The Applicant used the "Formula for 0.5 Long Term Care Beds per 10,000 Population by County" chart supplied by the Tennessee Department of Health, Office of Healthcare Facility Statistics.

2. If the project is a bed addition, existing long term care hospital beds must have a minimum average occupancy of 85%.

The Applicant operated at 84.2% in 2017 based on licensed beds, and 96.3% based on staffed beds.

3. The population shall be the current year's population, projected two years forward.

The above guideline was utilized. The Applicant used the "Formula for 0.5 Long Term Care Beds per 10,000 Population by County" chart supplied by the Tennessee Department of Health, Office of Healthcare Facility Statistics.

4. The primary service area can not be smaller than the applicant's Community Service Area (CSA). If LTH beds are proposed within an existing hospital, CSAs served by the existing facility can be included along with consideration for populations in adjacent states when the applicant provides documentation (such as admission sources from the Joint Annual Report).

As the service being provided is very specialized, patients originate from a wide geographic area. The facility's existing service area is primarily Shelby County, Tennessee, plus coterminous counties in Mississippi and Arkansas. A few of our patients originate in some of the western counties in Tennessee and Missouri and Alabama, but not enough to be included in the primary service area. As shown on Attachment B.Need.C, in 2015, approximately 83% of the Applicant's patients from Tennessee originated from Shelby County, approximately 53% of all patients originated from Shelby County, approximately 63% of its patients originated from Tennessee and approximately 37% of its patients came from out of state. Regarding the out of state patients, about 57% originated from Mississippi, and about 40% came from Arkansas. The approval of these relatively few beds is not expected to alter the existing service area of the Applicant.

5. Long-term care hospitals should have a minimum size of 20 beds.

The Applicant is currently licensed for 24 beds.

[Type here]

B. Economic Feasibility

1. The payer costs of a long-term hospital should demonstrate a substantial saving, or the services should provide additional benefit to the patient over the payer cost or over the provision of short-term general acute care alternatives, treating a similar patient mix of acuity.

LTACHs are a function of CMS. Prior to the creation of LTACHs, hospitals had to care for chronically ill patients – those requiring weeks and perhaps months of hospital stays. Based on traditional hospital reimbursement, acute care facilities lost tremendous amounts of funds caring for such individuals. This fact was recognized, and a special category of patients (long term acute care hospital patients) and resultant beds were established that received more appropriate reimbursement. This project continues that additional benefit to the patients they serve, all at a substantial savings over more traditional acute care.

2. The payer costs should be such that the facility will be financially accessible to a wide range of payers as well as to adolescent and adult patients of all ages.

This guideline is already being met, and will continue to be met.

3. Provisions will be made so that a minimum of 5% of the patient population using long term acute care beds will be charity or indigent care.

Fortunately, CMS recognizes the unique nature of these patients and provides LTACH facilities with substantial reimbursement to help cover the substantial costs incurred by the facilities. In effect, CMS tries to reimburse LTACH facilities in order to keep them in business. To that extent, most patients will qualify for some type of reimbursement. The Applicant recognizes that some patients may need charitable care, and provisions are made for such patients.

C. Orderly Development

1. Services offered by the long term care hospital must be appropriate for medically complex patients who require daily physician intervention, 24 hours access per day of professional nursing (requiring approximately 6-8 hours per patient day of nursing and therapeutic services), and on-site support and access to appropriate multi-specialty medical consultants.

Patient services should be available as needed for the most appropriate provision of care. These services should include restorative inpatient medical care, hyperalimentation, care of ventilator dependent patients, long term antibiotic therapy, long-term pain control, terminal AIDS care, and management of infectious and pulmonary diseases.

Also, to avoid unnecessary duplication, the project should not include services such as obstetrics, advanced emergency care, and other services which are not operationally pertinent to long term care hospitals.

[Type here]

The above guideline is met. The Applicant is a licensed LTACH, and provides appropriate long term acute care services to the patients it serves.

2. The applicant should provide assurance that the facility's patient mix will exhibit an annual average aggregate length of stay greater than 25 days as calculated by the Health Care Finance Administration (HCFA), and will seek licensure only as a hospital.

The above guideline has been met, historically, and will continue to be met.

3. The applicant should provide assurance that the projected caseload will require no more than three (3) hours per day of rehabilitation.

The above guideline has been met, historically, and will continue to be met.

4. Because of the very limited statewide need for long term hospital beds, and their high overall acuity of care, these beds should be allocated only to community service areas and be either inside or in close proximity to tertiary referral hospitals, to enhance physical accessibility to the largest concentration of services, patients, and medical specialists.

The above guideline has been met, historically, and will continue to be met. The Applicant is located inside a tertiary facility.

5. In order to insure that the beds and the facility will be used for the purpose certified, any certificate of need for a long term care hospital should be conditioned on the institution being certified by the Health Care Financing Administration as a long term care hospital, and qualifying as PPS-exempt under applicable federal guidelines. If such certification is received prior to the expiration date of the certificate of need, as provided in Tennessee Code Annotated (TCA), Section 68-11-108(c), the certificate of need shall expire, and become null and void.

The Applicant accepts this condition.

[Type here]

TDOH LTACH BED NEED CHART

Formula for 0.5 Long Term Care Beds per 10,000 Population by County

Anderson	4	4	18	1	1
Bedford	3	3	0	2	2
Benton	1	1	1	1	1
Bledsoe	1	1	1	0	0
Blount	7	7	3	0	0
Bradley	5	5	1	1	1
Campbell	2	2	1	4	4
Cannon	1	1	2	2	2
Carroll	1	1	1	3	3
Carter	3	3	0	4	4
Cheatham	2	2	1	16	17
Chester	1	1	1	1	1
Claiborne	2	2	3	1	1
Clay	0	0	1	5	5
Cocke	2	2	24	48	49
Coffee	3	3	0	1	1
Crockett	1	1	1	1	1
Cumberland	3	3	2	8	8
Davidson	34	35	1	9	9
Decatur	1	1	2	3	4
DeKalb	1	1	3	0	0
Dickson	3	3	3	1	1
Dyer	2	2	1	1	1
Fayette	2	2	1	0	0
Fentress	1	1	5	2	2
Franklin	2	2	1	7	7
Gibson	3	3	2	1	1
Giles	2	2	4	2	2
Grainger	1	1	1	1	1
Greene	4	4	2	11	12
Grundy	1	1	10	7	7
Hamblen	3	3	0		
Hamilton			18		
Hancock			0		
Hardeman			1		
Hardin			1		
Hawkins			3		
Haywood			1		
Henderson			1		
Henry			2		
Hickman			1		
Houston			0		
Humphreys			1		
Jackson			1		
Jefferson			3		
Johnson			1		
Knox			24		
Lake			0		
Lauderdale			1		
Lawrence			2		
Lewis			1		
Lincoln			2		
Loudon			3		
McMinn			3		
McNairy			1		
Macon			1		
Madison			5		
Marion			1		
Marshall			2		
Maury			4		
Meigs			1		
Monroe			2		
Montgomery			10		
Moore			0		
Morgan				1	1
Obion				2	2
Overton				1	1
Perry				0	0
Pickett				0	0
Polk				1	1
Putnam				4	4
Rhea				2	2
Roane				3	3
Robertson				4	4
Rutherford				16	17
Scott				1	1
Sequatchie				1	1
Sevier				5	5
Shelby				48	49
Smith				1	1
Stewart				1	1
Sullivan				8	8
Sumner				9	9
Tipton				3	4
Trousdale				0	0
Unicoi				1	1
Union				1	1
Van Buren				0	0
Warren				2	2
Washington				7	7
Wayne				1	1
Weakley				2	2
White				1	1
Williamson				11	12
Wilson				7	7

Population Data: The University of Tennessee Center for Business and Economic Research Population Projection Data Files (2017 Revision, 5/17), Reassembled by the Tennessee Department of Health, Division of Policy, Planning and Assessment.
 Note: These data will not match the University of Tennessee Data exactly due to rounding.

Source: Tennessee Department of Health, Office of Healthcare Facility Statistics.

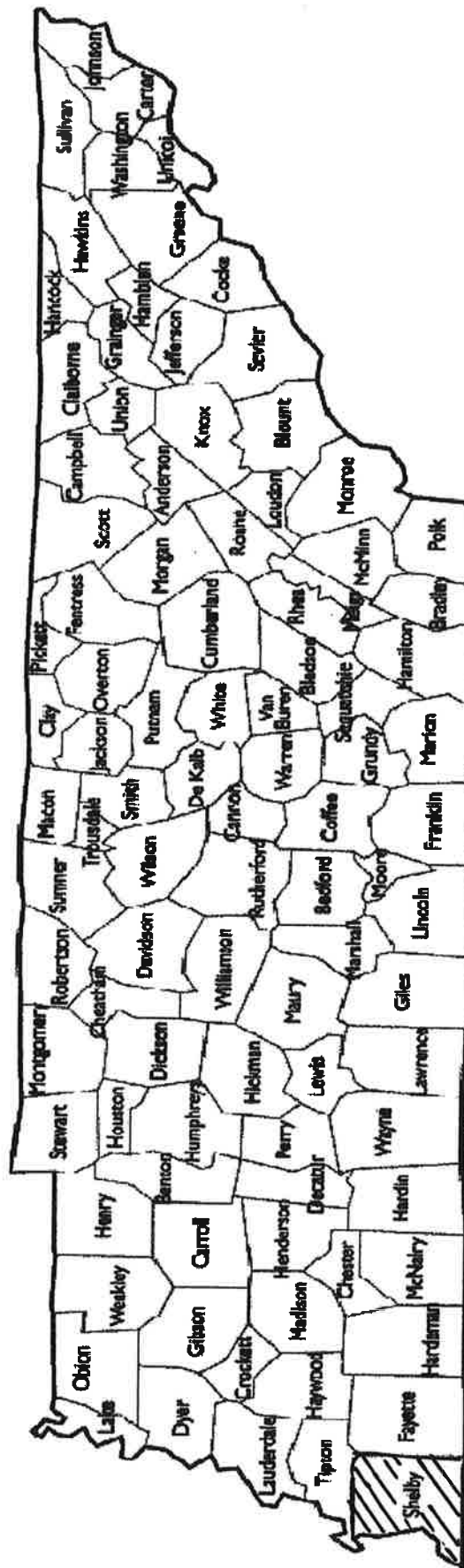
2015 JAR:

Patient Origin:

Shelby County	95
Other TN Counties	19
Mississippi	38
Arkansas	27
Missouri	1
Alabama	1

Total	181
-------	-----

County Level Map




QuickFacts

selected: **Shelby County, Tennessee; UNITED STATES**

QuickFacts provides statistics for all states and counties, and for cities and towns with a *population of 5,000 or more*.

table

All Topics	Shelby County, Tennessee	UNITED STATES
Population per square mile, 2010	1,215.5	87.4
 PEOPLE		
Population		
Population estimates, July 1, 2016, (V2016)	934,603	323,127,513
Population estimates base, April 1, 2010, (V2016)	927,684	308,758,105
Population, percent change - April 1, 2010 (estimates base) to July 1, 2016, (V2016)	0.7%	4.7%
Population, Census, April 1, 2010	927,644	308,745,538
Age and Sex		
Persons under 5 years, percent, July 1, 2016, (V2016)	7.2%	6.2%
Persons under 5 years, percent, April 1, 2010	7.2%	6.5%
Persons under 18 years, percent, July 1, 2016, (V2016)	25.2%	22.8%
Persons under 18 years, percent, April 1, 2010	26.4%	24.0%
Persons 65 years and over, percent, July 1, 2016, (V2016)	12.5%	15.2%
Persons 65 years and over, percent, April 1, 2010	10.3%	13.0%
Female persons, percent, July 1, 2016, (V2016)	52.4%	50.8%
Female persons, percent, April 1, 2010	52.3%	50.8%
Race and Hispanic Origin		
White alone, percent, July 1, 2016, (V2016) (a)	41.4%	76.9%
White alone, percent, April 1, 2010 (a)	40.6%	72.4%
Black or African American alone, percent, July 1, 2016, (V2016) (a)	54.1%	13.3%
Black or African American alone, percent, April 1, 2010 (a)	52.1%	12.6%
American Indian and Alaska Native alone, percent, July 1, 2016, (V2016) (a)	0.4%	1.3%
American Indian and Alaska Native alone, percent, April 1, 2010 (a)	0.2%	0.9%
Asian alone, percent, July 1, 2016, (V2016) (a)	2.6%	5.7%
Asian alone, percent, April 1, 2010 (a)	2.3%	4.8%
Native Hawaiian and Other Pacific Islander alone, percent, July 1, 2016, (V2016) (a)	0.1%	0.2%
Native Hawaiian and Other Pacific Islander alone, percent, April 1, 2010 (a)	Z	0.2%
Two or More Races, percent, July 1, 2016, (V2016)	1.5%	2.6%
Two or More Races, percent, April 1, 2010	1.4%	2.9%
Hispanic or Latino, percent, July 1, 2016, (V2016) (b)	6.1%	17.8%
Hispanic or Latino, percent, April 1, 2010 (b)	5.6%	16.3%
White alone, not Hispanic or Latino, percent, July 1, 2016, (V2016)	36.2%	61.3%
White alone, not Hispanic or Latino, percent, April 1, 2010	38.7%	63.7%
Population Characteristics		
Veterans, 2011-2015	54,847	20,108,332
Foreign born persons, percent, 2011-2015	6.2%	13.2%
Housing		
Housing units, July 1, 2016, (V2016)	406,022	135,697,926
Housing units, April 1, 2010	398,274	131,704,730
Owner-occupied housing unit rate, 2011-2015	57.3%	63.9%
Median value of owner-occupied housing units, 2011-2015	\$130,800	\$178,600
Median selected monthly owner costs -with a mortgage, 2011-2015	\$1,352	\$1,492
Median selected monthly owner costs -without a mortgage, 2011-2015	\$479	\$458
Median gross rent, 2011-2015	\$859	\$928
Building permits, 2016	2,338	1,206,642
Families & Living Arrangements		
Households, 2011-2015	347,224	116,926,305
Persons per household, 2011-2015	2.65	2.64
Living in same house 1 year ago, percent of persons age 1 year+, 2011-2015	83.1%	85.1%

Language other than English spoken at home, percent of persons age 5 years+, 2011-2015	9.4%	21.0%
Education		
High school graduate or higher, percent of persons age 25 years+, 2011-2015	86.9%	86.7%
Bachelor's degree or higher, percent of persons age 25 years+, 2011-2015	30.2%	29.8%
Health		
With a disability, under age 65 years, percent, 2011-2015	9.3%	8.6%
Persons without health insurance, under age 65 years, percent	▲ 13.6%	▲ 10.5%
Economy		
In civilian labor force, total, percent of population age 16 years+, 2011-2015	65.4%	63.3%
In civilian labor force, female, percent of population age 16 years+, 2011-2015	62.0%	58.5%
Total accommodation and food services sales, 2012 (\$1,000) (c)	1,889,742	708,138,598
Total health care and social assistance receipts/revenue, 2012 (\$1,000) (c)	8,166,690	2,040,441,203
Total manufacturers shipments, 2012 (\$1,000) (c)	22,412,702	5,696,729,632
Total merchant wholesaler sales, 2012 (\$1,000) (c)	35,454,262	5,208,023,478
Total retail sales, 2012 (\$1,000) (c)	22,058,481	4,219,821,871
Total retail sales per capita, 2012 (c)	\$23,447	\$13,443
Transportation		
Mean travel time to work (minutes), workers age 16 years+, 2011-2015	22.6	25.9
Income & Poverty		
Median household income (in 2015 dollars), 2011-2015	\$46,224	\$53,889
Per capita income in past 12 months (in 2015 dollars), 2011-2015	\$26,285	\$28,930
Persons in poverty, percent	▲ 20.2%	▲ 13.5%

BUSINESSES

Businesses		
Total employer establishments, 2015	19,311	7,663,938
Total employment, 2015	430,779	124,085,947
Total annual payroll, 2015 (\$1,000)	21,121,882	6,253,488,252
Total employment, percent change, 2014-2015	1.0%	2.5%
Total nonemployer establishments, 2015	78,921	24,331,403
All firms, 2012	95,433	27,626,360
Men-owned firms, 2012	43,633	14,844,597
Women-owned firms, 2012	45,031	9,878,397
Minority-owned firms, 2012	52,295	7,952,386
Nonminority-owned firms, 2012	40,569	18,987,918
Veteran-owned firms, 2012	9,486	2,521,682
Nonveteran-owned firms, 2012	82,645	24,070,685

GEOGRAPHY

Geography		
Population per square mile, 2010	1,215.5	87.4
Land area in square miles, 2010	763.17	3,531,905.43
FIPS Code	47157	00

Value Notes

▲ This geographic level of poverty and health estimates are not comparable to other geographic levels of these estimates

Some estimates presented here come from sample data, and thus have sampling errors that may render some apparent differences between geographies statistically indistinguishable. Click the Quick Facts link of each row in TABLE view to learn about sampling error.

The vintage year (e.g., V2016) refers to the final year of the series (2010 thru 2016). Different vintage years of estimates are not comparable.

Fact Notes

- (a) Includes persons reporting only one race
- (b) Hispanics may be of any race, so also are included in applicable race categories
- (c) Economic Census - Puerto Rico data are not comparable to U.S. Economic Census data

Value Flags

- D Suppressed to avoid disclosure of confidential information
- F Fewer than 25 firms
- FN Footnote on this item in place of data
- NA Not available
- S Suppressed; does not meet publication standards
- X Not applicable
- Z Value greater than zero but less than half unit of measure shown
- Either no or too few sample observations were available to compute an estimate, or a ratio of medians cannot be calculated because one or both of the median estimates falls in the low interval of an open ended distribution.

QuickFacts data are derived from: Population Estimates, American Community Survey, Census of Population and Housing, Current Population Survey, Small Area Health Insurance Estimates, Small Area Poverty Estimates, State and County Housing Unit Estimates, County Business Patterns, Nonemployer Statistics, Economic Census, Survey of Business Owners, Building Permits.



Topic Areas

Tools

Data

FAQs & Resources

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MUA Find Results

Search Criteria

Click on a column heading to sort the results in ascending or descending order.

Start Over

Modify Search Criteria

Map View

State: Tennessee

Data as of 8/10/2017

County: Shelby County

MUA ID: All

Collapse All

1

Page Size: 20


04 items in 01 page

County Name	County FIPS Code	Service Area Name	MUA/P Source Identification Number	Designation Type	Population Type	Index of Medical Underservice Score	MUA/P Designation Date	MUA/P Update Date
Shelby County	157	Shelby Service Area	03249	Medically Underserved Area	Medically Underserved Area	56.50	07/12/1994	07/12/1994
CT 0201.01 CT 0201.02 CT 0202.10 CT 0205.12								
Shelby County	157	Shelby Service Area	03250	Medically Underserved Area	Medically Underserved Area	51.00	07/12/1994	07/12/1994
CT 0216.20 CT 0219.00 CT 0220.22 CT 0220.23 CT 0220.24 CT 0221.11 CT 0221.12 CT 0222.10 CT 0222.20 CT 0223.10 CT 0223.21 CT 0223.30 CT 0224.10 CT 0225.00 CT 0227.00								
Shelby County	157	Nw Memphis Service Area	07469	Medically Underserved Area	Medically Underserved Area	56.00	04/06/2005	04/06/2005

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04 Items in 01 pa

County Name ①	County FIPS Code ①	Service Area Name ①	MUA/P Source Identification Number ①	Designation Type ①	Population Type ①	Index of Medical Underservice Score ①	MUA/P Designation Date ①	MUA/P Update Date ①
								
CT 0002.00 CT 0003.00 CT 0004.00 CT 0006.00 CT 0007.00 CT 0008.00 CT 0009.00 CT 0011.00 CT 0012.00 CT 0013.00 CT 0014.00 CT 0015.00 CT 0017.00 CT 0019.00 CT 0020.00 CT 0021.00 CT 0024.00 CT 0025.00 CT 0027.00 CT 0028.00 CT 0030.00 CT 0036.00 CT 0089.00 CT 0099.01 CT 0099.02 CT 0100.00 CT 0101.10 CT 0101.20 CT 0102.10 CT 0102.20 CT 0103.00 CT 0111.00 CT 0112.00 CT 0113.00 CT 0205.21 CT 0205.23 CT 0205.24								
Shelby County	157	Southeast Memphis	07971	Medically Underserved Area	Medically Underserved Area	58.10	07/31/2014	07/31/2014

1

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04 Items in 01 pa

County Name ①	County FIPS Code ①	Service Area Name ①	MUA/P Source Identification Number ①	Designation Type ①	Population Type ①	Index of Medical Underservice Score ①	MUA/P Designation Date ①	MUA/P Update Date ①
								
CT 0081.10								
CT 0081.20								
CT 0082.00								
CT 0097.00								
CT 0105.00								
CT 0106.10								
CT 0106.20								
CT 0106.30								
CT 0107.10								
CT 0107.20								
CT 0108.10								
CT 0108.20								
CT 0110.10								
CT 0110.20								
CT 0118.00								
CT 0217.10								
CT 0217.21								
CT 0217.24								
CT 0217.25								
CT 0217.26								
CT 0217.31								
CT 0217.32								
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CT 0217.52								
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CT 0217.54								
CT 0226.00								
CT 9801.00								

1

Page Size: 20

04 Items in 01 pa

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Home > Tools > Analyzers > HPSA Find > HPSA Find Results

HPSA Find Results

Search Criteria

Click on a column heading to sort the results in ascending or descending order.

Start Over

Modify Search Criteria

Map View

State: Tennessee

Data as of 8/10/2017

County: Shelby County

Discipline: Primary Care

Metro: All

Status: D,P

Type: All

Date of Last Update: All Dates

HPSA Score: From 0 To 26

Collapse All

1

Page Size: 20

07 items in 01 page

County Name	County FIPS Code	HPSA ID	HPSA Name	HPSA Discipline Class	Designation Type	Population Type	HPSA FTE	HPSA Score	HPSA Status	HPSA Designation Last Update Date
Shelby County	157	1479994793	Christ Community Health Services, Inc.	Primary Care	Comprehensive Health Center			18	Designated	01/14/2013
Shelby County	157	1479994795	Memphis Health Center, Inc.	Primary Care	Comprehensive Health Center			17	Designated	11/04/2010
Shelby County	157	1477429209	Federal Correctional Institution - Memphis	Primary Care	Correctional Facility		0	12	Designated	12/30/2015
Shelby County	157	1479994706	Low Income - Frayser/Raleigh	Primary Care	HPSA Population	Low Income Population on HPSA	31	10	Designated	12/04/2013

County Name	County FIPS Code	HPSA ID	HPSA Name	HPSA Discipline Class	Designation Type	HPSA FTE	HPSA Score	HPSA Status	HPSA Designation Last Update Date
Shelby County	157	100		Primary Care	Census Tract			Designated	12/04/2013
Shelby County	157	101.10		Primary Care	Census Tract			Designated	12/04/2013
Shelby County	157	101.20		Primary Care	Census Tract			Designated	12/04/2013
Shelby County	157	102.10		Primary Care	Census Tract			Designated	12/04/2013
Shelby County	157	102.20		Primary Care	Census Tract			Designated	12/04/2013
Shelby County	157	103		Primary Care	Census Tract			Designated	12/04/2013

HPSA Find Results

County Name	County FIPS Code	HPSA ID	HPSA Name	HPSA Discipline Class	Designation Type	HPSA FTE	HPSA Score	HPSA Status	HPSA Designation Last Update Date
1	Page Size: 20								
Shelby County	157	11		Primary Care	Census Tract				07/11/13 in 01 pe
County Name	County FIPS Code	HPSA ID	HPSA Name	HPSA Discipline Class	Designation Type	HPSA FTE	HPSA Score	HPSA Status	HPSA Designation Last Update Date
Shelby County	157	111		Primary Care	Census Tract				12/04/2013
Shelby County	157	112		Primary Care	Census Tract				12/04/2013
Shelby County	157	113		Primary Care	Census Tract				12/04/2013
Shelby County	157	12		Primary Care	Census Tract				12/04/2013
Shelby County	157	13		Primary Care	Census Tract				12/04/2013
Shelby County	157	14		Primary Care	Census Tract				12/04/2013
Shelby County	157	15		Primary Care	Census Tract				12/04/2013
Shelby County	157	16		Primary Care	Census Tract				12/04/2013
Shelby County	157	17		Primary Care	Census Tract				12/04/2013
Shelby County	157	19		Primary Care	Census Tract				12/04/2013
Shelby County	157	2		Primary Care	Census Tract				12/04/2013
Shelby County	157	20		Primary Care	Census Tract				12/04/2013
Shelby County	157	205.11		Primary Care	Census Tract				12/04/2013
Shelby County	157	205.12		Primary Care	Census Tract				12/04/2013
Shelby County	157	205.21		Primary Care	Census Tract				12/04/2013
Shelby County	157	205.23		Primary Care	Census Tract				12/04/2013
Shelby County	157	205.24		Primary Care	Census Tract				12/04/2013
Shelby County	157	205.31		Primary Care	Census Tract				12/04/2013
Shelby County	157	205.32		Primary Care	Census Tract				12/04/2013
Shelby County	157	205.41		Primary Care	Census Tract				12/04/2013
Shelby County	157	205.42		Primary Care	Census Tract				12/04/2013
Shelby County	157	206.21		Primary Care	Census Tract				12/04/2013
Shelby County	157	206.44		Primary Care	Census Tract				12/04/2013
Shelby County	157	206.51		Primary Care	Census Tract				12/04/2013
Shelby County	157	21		Primary Care	Census Tract				12/04/2013
Shelby County	157	24		Primary Care	Census Tract				12/04/2013
Shelby County	157	25		Primary Care	Census Tract				12/04/2013
Shelby County	157	27		Primary Care	Census Tract				12/04/2013
Shelby County	157	28		Primary Care	Census Tract				12/04/2013
Shelby County	157	3		Primary Care	Census Tract				12/04/2013
Shelby County	157	30		Primary Care	Census Tract				12/04/2013
Shelby County	157	36		Primary Care	Census Tract				12/04/2013
Shelby County	157	4		Primary Care	Census Tract				12/04/2013
Shelby County	157	6		Primary Care	Census Tract				12/04/2013
Shelby County	157	7		Primary Care	Census Tract				12/04/2013

HPSA Find Results

County Name	County FIPS Code	HPSA ID	HPSA Name	HPSA Discipline Class	Designation Type	HPSA FTE	HPSA Score	HPSA Status	HPSA Designation Last Update Date
1	Page Size: 20								
Shelby County	157	8		Primary Care	Census Tract			Designate d	12/04/2013
Shelby County	157	89		Primary Care	Census Tract			Designate d	12/04/2013
Shelby County	157	9		Primary Care	Census Tract			Designate d	12/04/2013
Shelby County	157	99.01		Primary Care	Census Tract			Designate d	12/04/2013
Shelby County	157	99.02		Primary Care	Census Tract			Designate d	12/04/2013
Shelby County	157	1479994707	Low Income - Southeast Memphis	Primary Care	HPSA Population Low Income Population on HPSA	37	16	Designated	06/03/2014

County Name	County FIPS Code	HPSA ID	HPSA Name	HPSA Discipline Class	Designation Type	HPSA FTE	HPSA Score	HPSA Status	HPSA Designation Last Update Date
Shelby County	157	105		Primary Care	Census Tract			Designate d	06/03/2014
Shelby County	157	106.10		Primary Care	Census Tract			Designate d	06/03/2014
Shelby County	157	106.20		Primary Care	Census Tract			Designate d	06/03/2014
Shelby County	157	106.30		Primary Care	Census Tract			Designate d	06/03/2014
Shelby County	157	108.10		Primary Care	Census Tract			Designate d	06/03/2014
Shelby County	157	110.10		Primary Care	Census Tract			Designate d	06/03/2014
Shelby County	157	110.20		Primary Care	Census Tract			Designate d	06/03/2014
Shelby County	157	114		Primary Care	Census Tract			Designate d	06/03/2014
Shelby County	157	115		Primary Care	Census Tract			Designate d	06/03/2014
Shelby County	157	116		Primary Care	Census Tract			Designate d	06/03/2014
Shelby County	157	117		Primary Care	Census Tract			Designate d	06/03/2014
Shelby County	157	118		Primary Care	Census Tract			Designate d	06/03/2014
Shelby County	157	217.31		Primary Care	Census Tract			Designate d	06/03/2014
Shelby County	157	219		Primary Care	Census Tract			Designate d	06/03/2014
Shelby County	157	220.22		Primary Care	Census Tract			Designate d	06/03/2014
Shelby County	157	220.23		Primary Care	Census Tract			Designate d	06/03/2014
Shelby County	157	220.24		Primary Care	Census Tract			Designate d	06/03/2014
Shelby County	157	221.11		Primary Care	Census Tract			Designate d	06/03/2014
Shelby County	157	221.12		Primary Care	Census Tract			Designate d	06/03/2014
Shelby County	157	221.21		Primary Care	Census Tract			Designate d	06/03/2014
Shelby County	157	221.22		Primary Care	Census Tract			Designate d	06/03/2014
Shelby County	157	221.30		Primary Care	Census Tract			Designate d	06/03/2014
Shelby County	157	222.10		Primary Care	Census Tract			Designate d	06/03/2014
Shelby County	157	222.20		Primary Care	Census Tract			Designate d	06/03/2014
Shelby County	157	223.10		Primary Care	Census Tract			Designate d	06/03/2014
Shelby County	157	223.21		Primary Care	Census Tract			Designate d	06/03/2014

HPSA Find Results

County Name	County FIPS Code	HPSA ID	HPSA Name	HPSA Discipline Class	Designation Type	HPSA FTE	HPSA Score	HPSA Status	HPSA Designation Last Update Date
1	Page Size: 20								
Shelby County	157	223.22		Primary Care	Census Tract				07/03/2014
County Name	County FIPS Code	HPSA ID	HPSA Name	HPSA Discipline Class	Designation Type	HPSA FTE	HPSA Score	HPSA Status	HPSA Designation Last Update Date
Shelby County	157	223.30		Primary Care	Census Tract				06/03/2014
Shelby County	157	224.10		Primary Care	Census Tract				06/03/2014
Shelby County	157	225		Primary Care	Census Tract				06/03/2014
Shelby County	157	226		Primary Care	Census Tract				06/03/2014
Shelby County	157	227		Primary Care	Census Tract				06/03/2014
Shelby County	157	37		Primary Care	Census Tract				06/03/2014
Shelby County	157	38		Primary Care	Census Tract				06/03/2014
Shelby County	157	39		Primary Care	Census Tract				06/03/2014
Shelby County	157	45		Primary Care	Census Tract				06/03/2014
Shelby County	157	46		Primary Care	Census Tract				06/03/2014
Shelby County	157	50		Primary Care	Census Tract				06/03/2014
Shelby County	157	53		Primary Care	Census Tract				06/03/2014
Shelby County	157	55		Primary Care	Census Tract				06/03/2014
Shelby County	157	56		Primary Care	Census Tract				06/03/2014
Shelby County	157	57		Primary Care	Census Tract				06/03/2014
Shelby County	157	58		Primary Care	Census Tract				06/03/2014
Shelby County	157	59		Primary Care	Census Tract				06/03/2014
Shelby County	157	60		Primary Care	Census Tract				06/03/2014
Shelby County	157	62		Primary Care	Census Tract				06/03/2014
Shelby County	157	63		Primary Care	Census Tract				06/03/2014
Shelby County	157	64		Primary Care	Census Tract				06/03/2014
Shelby County	157	65		Primary Care	Census Tract				06/03/2014
Shelby County	157	66		Primary Care	Census Tract				06/03/2014
Shelby County	157	67		Primary Care	Census Tract				06/03/2014
Shelby County	157	68		Primary Care	Census Tract				06/03/2014
Shelby County	157	69		Primary Care	Census Tract				06/03/2014
Shelby County	157	70		Primary Care	Census Tract				06/03/2014
Shelby County	157	73		Primary Care	Census Tract				06/03/2014
Shelby County	157	74		Primary Care	Census Tract				06/03/2014
Shelby County	157	75		Primary Care	Census Tract				06/03/2014
Shelby County	157	78.10		Primary Care	Census Tract				06/03/2014
Shelby County	157	78.21		Primary Care	Census Tract				06/03/2014
Shelby County	157	78.22		Primary Care	Census Tract				06/03/2014
Shelby County	157	79		Primary Care	Census Tract				06/03/2014

HPSA Find Results

County Name	County FIPS Code	HPSA ID	HPSA Name	HPSA Discipline Class	Designation Type	HPSA FTE	HPSA Score	HPSA Status	HPSA Designation Last Update Date
1	Page Size: 20								
Shelby County	157	80		Primary Care	Census Tract				07 items in 01 pe
Shelby County	157	81.10		Primary Care	Census Tract				Designate 06/03/2014
Shelby County	157	81.20		Primary Care	Census Tract				Designate 06/03/2014
Shelby County	157	82		Primary Care	Census Tract				Designate 06/03/2014
Shelby County	157	9801		Primary Care	Census Tract				Designate 06/03/2014
Shelby County	157	147999470A	Low Income - Parkway Village/Fox Meadows	Primary Care	HPSA Population Low Income Population on HPSA	3	12	Designated	01/31/2014
Shelby County	157	107.10		Primary Care	Census Tract				Designate 01/31/2014
Shelby County	157	107.20		Primary Care	Census Tract				Designate 01/31/2014
Shelby County	157	108.20		Primary Care	Census Tract				Designate 01/31/2014
Shelby County	157	217.10		Primary Care	Census Tract				Designate 01/31/2014
Shelby County	157	217.21		Primary Care	Census Tract				Designate 01/31/2014
Shelby County	157	217.24		Primary Care	Census Tract				Designate 01/31/2014
Shelby County	157	217.25		Primary Care	Census Tract				Designate 01/31/2014
Shelby County	157	217.26		Primary Care	Census Tract				Designate 01/31/2014
Shelby County	157	217.32		Primary Care	Census Tract				Designate 01/31/2014
Shelby County	157	217.41		Primary Care	Census Tract				Designate 01/31/2014
Shelby County	157	217.44		Primary Care	Census Tract				Designate 01/31/2014
Shelby County	157	217.45		Primary Care	Census Tract				Designate 01/31/2014
Shelby County	157	217.46		Primary Care	Census Tract				Designate 01/31/2014
Shelby County	157	217.47		Primary Care	Census Tract				Designate 01/31/2014
Shelby County	157	217.51		Primary Care	Census Tract				Designate 01/31/2014
Shelby County	157	217.52		Primary Care	Census Tract				Designate 01/31/2014
Shelby County	157	217.53		Primary Care	Census Tract				Designate 01/31/2014
Shelby County	157	217.54		Primary Care	Census Tract				Designate 01/31/2014
Shelby County	157	1479994700	Tri State Community Health Center	Primary Care	Comprehensive Health Center	22		Designated	07/31/2017

Note: Satellite sites of Comprehensive Health Centers automatically assume the HPSA score of the affiliated grantee — they are not listed separately.

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and/or LCME/ACGME, or other appropriate practice specialty guidelines. Faculty members will be responsible for providing attending and consultative services for all unassigned patients of The MED in accordance with the privileges granted to them under the Medical Staff By-Laws.

12. Faculty will supervise the education of Residents and delivery of patient care services associated with GME activities at The MED, serve as attending and consultative physicians in accordance with the Medical Staff Bylaws of The MED, and provide for appropriate documentation of treatment to patients personally or through documentation provided by Residents.
13. The Office of Graduate Medical Education shall report to The MED on a periodic basis the Residency Review Committee accreditation status and the results of an annual or their periodic survey of Residents seeking feedback from Residents as to their satisfaction with the UNIVERSITY's training programs at The MED's facilities.
14. The UNIVERSITY shall assist in preparation of data and scheduling of site visits for accreditation of Training Programs by the ACGME and other official accreditation bodies.
15. The UNIVERSITY shall prepare, on behalf of the Program Director of each Training Program, certificates indicating satisfactory completion by a Resident of training years.

III. COORDINATION OF GME ACTIVITIES

- A. The primary UNIVERSITY representative for the day to day management of this Agreement will be the Associate Dean for GME for Resident issues and the Associate Dean for Academic Affairs for Student issues.
- B. The primary MED representative for the day to day management of this Agreement will be the Chief Medical Officer ("CMO").
- C. Dispute Resolution will be addressed by the Chancellor of the University of Tennessee Health Sciences Center and Chief Executive Officer for The MED and follow the procedure set forth in Paragraph VI. Y. below.
- D. The MED's CMO will monitor Resident rotation schedules monthly to assure compliance with the annual Resident GME budget, rotation assignment plan and UTGME Supervision Guidelines. In conjunction with this review of the rotation schedule assignments, the GME office will track the actual level of faculty physician supervision provided as compared to the level budgeted.
- E. Based upon the above monitoring, if the amount of Resident/faculty supervision services provided is less than the amount budgeted the overpayment will be rebated to The MED. Variances from the established budget will be monitored and reconciliations made on not less than a quarterly basis.

IV. TERM AND TERMINATION

- A. Effective Date. The effective date of this Agreement shall be July 1, 2011.
- B. Term. The term of this Agreement shall be five (5) years, beginning on the effective date of this Agreement and ending June 30, 2016. As ACGME requires

all hospital agreements to be no more than five years old, this Agreement cannot be extended for additional time beyond 2016.

C. Termination.

1. For Convenience. This Agreement may be terminated without cause by any party by the provision of at least 365 days prior written notice to the other parties.
2. Upon Material Change. In the event of a change or changes in the health care regulatory or reimbursement environment which could reasonably be expected to substantially deprive any party of one or more of the material benefits contemplated by this Agreement, then the parties shall, within fifteen (15) calendar days following notice from one party to the other of the occurrence of such a change begin negotiations in good faith to amend this Agreement as necessary to restore the parties to a mutually beneficial relationship under this Agreement. In the event such negotiations fail to produce, within thirty (30) days following the original written notice of the occurrence this Agreement may be terminated by either party upon an additional sixty (60) days written notice to the other party.

V. INDEMNIFICATION

Each party to this Agreement agrees that if it is found to be without direct fault through the acts or omissions of its employees or agents, and is held liable for the acts or omissions of the other party's employees or agents solely arising out of their failure to provide medical care in accordance with the recognized standard of professional practice, its rights of contribution or indemnity as provided by the applicable laws for the State of Tennessee may be pursued in accordance with such laws. Further, each party agrees that the exclusive remedy for claims against the University under this section, if it accepts such jurisdiction, lies in the Tennessee Claims Commission. The liability of The MED (and its obligation to indemnify) is subject to the provisions of the Governmental Tort Liability Act, T.C.A. 29-20-101 et. seq., and nothing in this Agreement shall be considered as extending or expanding the limitations on recovery allowed under actions brought against The MED that would otherwise be covered under that statute.

~~Notwithstanding the foregoing, to the extent any claims are brought against The MED for the acts or omissions of a Resident or Student under this Agreement under any theory of liability, including but not limited to, under the theory of actual or apparent agency, and including as well allegations of negligent supervision, then the University shall hold harmless The MED for such claims, and agrees to reimburse The MED for reasonable attorneys' fees and costs it incurs in defending said claims.~~

VI. MISCELLANEOUS

A. Confidentiality.

1. Patient Records. The Parties shall maintain the confidentiality of all patient records and shall comply with all applicable federal, state, and local laws and regulations, Hospital and Medical Staff By-Laws, policies, and procedures regarding the confidentiality of medical records.
2. Privileged Information. Each party shall maintain the confidentiality of all information provided by any other party to which legal privilege may

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University's liability is governed by Tennessee Claims Commission Act 9-8-301.

apply. Each Party shall disclose privileged information only to personnel under its supervision and only on an as-needed basis consistent with applicable law. All personnel of each Party shall be bound by the provisions of this Section, and each Party shall be responsible for informing personnel under its supervision of these requirements, as appropriate. No party shall be in breach of this Section solely by reason of its compliance with federal, state, or local law requiring disclosure of privileged information, provided that prior to any such disclosure such Party shall notify the other Party in writing of its intent to disclose such information, and shall permit the other Party a meaningful opportunity to assert any applicable privilege.

- B. Risk Management and Quality Assurance. The Parties shall cooperate in risk management and quality assurance activities and shall exchange information for risk management and quality assurance purposes. Provided, however, nothing contained herein shall be construed as abrogating the attorney-client privilege or otherwise adversely affect the attorney-client relationship or any quality assurance/peer review activity, and provided further that each party shall take all reasonable steps to preserve any such applicable privilege.
- C. Maintenance of Funding for GME. The Parties will work diligently to maintain Graduate Medical Education funding from state and federal sources. Any state or federal GME funds paid to the UNIVERSITY will be transferred to The MED based on annual negotiations.
- D. Independent Contractor. In the performance of this Agreement, the UNIVERSITY and The MED are at all times acting as independent contractors. No party shall have or exercise control over the specific methods by which the other perform their duties under this Agreement.
- E. Assignment and Subcontracting. This Agreement shall be binding and to the benefit of the Parties and their respective successors and assigns; provided, however that no Party may assign any of its interests, rights or obligations under this Agreement without the prior written consent of the other Party. No Party may subcontract for the performance of any of these duties under this Agreement without the prior written consent of the other Party. This provision shall not limit the right of any Party to engage individuals who may perform services under this Agreement; however each Party shall remain fully responsible for its performance as provided in this Agreement.
- F. No Third Party Beneficiaries. None of the provisions of this Agreement are or shall be construed as for the benefit of or enforceable by any person not a Party to this Agreement.
- G. Modification. This Agreement constitutes the entire agreement of the Parties with respect to its Resident and GME Services, and supersedes all prior agreements, representation, or communication, oral or written, relating thereto. This Agreement may not be modified except by a written amendment properly approved and executed by all Parties.
- H. Waiver. No waiver, express or implied, of any breach of this Agreement shall constitute a waiver of any right under this Agreement or of any subsequent breach, whether of a similar or dissimilar nature.

- I. HIPAA. The MED and the UNIVERSITY shall comply with the Health Insurance Portability and Accountability Act of 1996 (HIPAA), 45 C.F.R. Parts 160 & 164 Privacy and Security Laws as may be amended from time to time.
- J. Severability. If any provision of this Agreement shall be unenforceable for any reason, the remaining portions shall remain in force and effect; provided, however, that if the removal of any such provision has the effect of materially altering the obligation of any Party so as to cause serious hardship to such Party or to cause such Party to act in violation of its Articles of Incorporation the party so affected shall have the right to terminate this Agreement upon thirty (30) days written notice to the other Party.
- K. Governing Law. The Agreement shall be governed by the law of the State of Tennessee.
- L. Related Parties and Subcontractor Requirements. Each party shall, upon proper request, allow the United States Department of Health and Human Services, the Comptroller General of the United States, the Tennessee Department of Health, the Tennessee Department of Finance and Administration, and their duly authorized representatives access to this Agreement and to all books, documents, and records necessary to verify the nature and extent of the costs of services provided by any party under this Agreement, at any time during the term of this Agreement and for an additional period of five (5) years following the last date services are furnished under this Agreement. If any party carries out any of its duties under this Agreement through an agreement between its and an individual or organization related to it, that party to this Agreement shall require that a clause be included in such agreement to the effect that until the expiration of five (5) years after the furnishing of services pursuant to such agreement, the related organization shall make available, upon request to the United States Department of Health and Human Services, the Comptroller General of the United States, the Tennessee Department of Health, the Tennessee Department of Finance and Administration, and their duly authorized representatives access to this Agreement and to all books, documents, and records necessary to verify the nature and extent of the costs of services provided by any party under this Agreement.
- M. Equal Opportunity. The parties shall abide, to the extent applicable thereto, by the provisions of Titles VI and VII of the Civil Rights Act of 1964 (42 U.S.C. Sec. 2000e et seq., as amended), which prohibits discrimination against any employee or applicant for employment or recipient of services on the basis of race, religion, color, sex or national origin. The parties further agree to abide by Executive Order No. 11246, as amended, which prohibits discrimination on the basis of sex; the Age Discrimination in Employment Act, 29 U.S.C. Sec. 621 et seq., as amended, and 45 C.F.R. 90, which prohibits discrimination on the basis of age; Section 5045 of the Rehabilitation Act of 1973, 29 U.S.C. Sec. 701 et seq., which prohibits discrimination on the basis of handicap; and the Americans with Disabilities Act, 42 U.S.C. Sec. 12101 et seq., and 29 C.F.R. 1630, which provides that no qualified individual with a disability, by reason of such disability, shall be denied employment, excluded from participation in, or denied the benefits of services, programs or activities.

- N. Binding Effect Upon Successors. This Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, executors, administrators, successors, legal representatives and assigns; provided that this provision shall not be construed as permitting assignment, substitution, delegation or other transfer of rights or obligations except strictly in accordance with the other provisions of this Agreement.
- O. Integration. This Agreement constitutes the entire agreement between the parties pertaining to the subject matter hereof, and supersedes all prior agreements and understandings pertaining thereto. No covenant, representation or condition not expressed in this Agreement shall affect or be deemed to interpret, change or restrict the express provisions hereof unless reduced to writing and signed by both parties.
- P. Exhibits, Etc. All exhibits and other documents attached to or to be delivered in connection with this Agreement are expressly made a part of this Agreement.
- Q. Further Assurances. The parties shall execute and deliver all documents, provide all information and take or forbear from any action that may be reasonably necessary or appropriate to achieve the purposes of this Agreement.
- R. Authorization. Each individual executing this Agreement does thereby represent and warrant to each other person so signing (and to each other entity for which another person may be signing) that he or she has been duly authorized to execute this Agreement in the capacity and for the entity set forth above such person's signature.
- S. Execution by Counterpart. This Agreement may be executed separately or independently by the parties in counterpart, each of which together shall be deemed to have been executed simultaneously and for all purposes to be one instrument.
- T. Force Majeure. Neither party shall incur any liability to the other party, nor shall either party be entitled to terminate this Agreement, if the performance by either party of its obligations under this Agreement is prevented or delayed by act of God, the public enemy, earthquakes, fires, epidemics, civil insurrections, curtailment of or failure to obtain sufficient electrical power, strikes, lockouts or similar unforeseen and unusual circumstances beyond the control and without the fault of such party. Any party claiming any such excuse for non-performance shall use its best efforts to avoid or remove such cause, shall continue performance to the degree possible and as soon as possible, and shall give prompt written notice to the other party of the situation.
- U. Compliance with Applicable Laws. The parties shall comply with all applicable statutes, laws, rules, regulations, licenses, certificates and authorizations of any governmental body or authority in the performance of its obligations under this Agreement. This Agreement shall be subject to amendments to applicable laws and regulations relating to the subject matter hereof, but to the extent that any inconsistency is thereby created, the parties shall use their best efforts to accommodate the terms and intent of this Agreement and of such amendments. Each party shall obtain and maintain current and in force all licenses, certifications, authorizations and permits (and shall pay the fees therefor) required to carry out its obligations under this Agreement.

- V. Notices. Unless otherwise specified in this Agreement, any notice, document, or other communication given, or made hereunder shall be sufficient in writing and shall be deemed given upon (a) hand delivery, (b) transmission by facsimile and oral confirmation of receipt, (c) deposit of the same in the United States registered or certified mail, first class postage and fee prepaid, and correctly addressed to the party for whom it is intended at the following addresses:

If to The MED:

Chief Medical Officer
Regional Medical Center at Memphis
877 Jefferson Avenue
Memphis, TN 38103

Chief Legal Officer and General Counsel
Regional Medical Center at Memphis
877 Jefferson Avenue
Memphis, TN 38103

If to the UNIVERSITY:

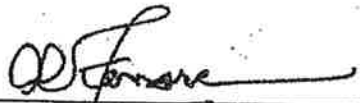
Associate Dean GME
910 Madison Avenue Suite 1031
Memphis, TN 38163

Or at such other place or places as shall from time to time be specified in a notice similarly given. Each Party shall promptly notify the other Parties of any change of address.

- W. Nondiscrimination. The parties hereto agree not to discriminate against any individual on account of race, relation, national origin, or handicap unrelated to the reasonable requirements of this Agreement.
- X. Section Headings. Section Headings are for convenience only and shall not be construed as part of this Agreement.
- Y. Dispute Resolution. Any controversy, dispute, or disagreement arising out of or related to this Agreement or the breach of this Agreement shall be settled in accordance within this provision. In the event a dispute arises between the parties, each party shall be obligated to meet and confer with the other in good faith, on reasonable notice and at a mutually agreeable location. The parties agree that if either party refused to participate in such a conference, or if such a conference fails to produce a mutually acceptable resolution of the dispute within a mutually acceptable time, either party may submit the matter to mediation. Such mediation will occur upon consent of the parties which consent may be withdrawn at any time.
- Z. Compliance. The parties enter into this Agreement with the intent of conducting their relationship in full compliance with applicable state, local and federal law, including the Medicare/Medicaid anti-kickback/Fraud and Abuse provisions and the Stark Law. Notwithstanding any unanticipated effect of any provisions herein, neither party will intentionally conduct itself under the terms of this Agreement in a manner to constitute a violation of said statutes. UNIVERSITY agrees to cooperate fully with compliance efforts of THE MED designed to

comply with applicable federal and/or state statutory and regulatory requirements in accordance with THE MED's compliance plan, including, but not limited, adherence to the THE MED's Code of Conduct.


IN WITNESS WHEREOF, the parties have entered into this Agreement as of the day and year first state above.



University of Tennessee
Anthony A. Ferrara
Vice Chancellor, Finance and Operations

6-20-11

Date



Regional Medical Center
Reginald Coopwood, MD
Chief Executive Officer

6/17/2011

Date

Exhibit B - FY12
Supervision of Housestaff

January 12, 2011

Department	Specialty	# Residents	Faculty to Resident Ratio	# Faculty Supervising	AAMC Rate	Benefits at 30%	Annual Cost at 70%
Medicine	Allergy/Immunology	0.0	0.500	0.000	142,000.00	184,600.00	\$
"	Cardiology	3.0	0.500	0.250	251,000.00	326,300.00	\$ 57,102.50
"	Dermatology	2.0	0.500	1.000	223,000.00	289,900.00	\$ 202,930.00
"	Endocrinology	1.0	0.500	0.250	149,000.00	193,700.00	\$ 33,897.50
"	Gastroenterology	2.0	0.500	0.750	232,000.00	301,600.00	\$ 158,340.00
"	Gen Internal Medicine	26.0	0.333	8.666	165,000.00	214,500.00	\$ 1,301,199.90
"	Hematology/Oncology	1.0	0.500	0.250	206,000.00	267,800.00	\$ 46,865.00
"	Infectious Disease	1.0	0.250	0.250	153,000.00	198,900.00	\$ 34,807.50
"	Nephrology	1.0	0.500	0.500	180,000.00	234,000.00	\$ 81,900.00
"	Pulmonology	3.0	0.500	0.500	185,000.00	240,500.00	\$ 84,175.00
"	Rheumatology	1.0	0.500	0.250	155,000.00	201,500.00	\$ 35,262.50
Neurology	Neurology	3.0	0.250	0.750	173,000.00	224,900.00	\$ 118,072.50
Neurosurgery	Neurosurgery	3.0	0.250	1.250	445,000.00	578,500.00	\$ 506,187.50
OB/GYN	OB/GYN	31.0	0.250	7.250	241,000.00	313,300.00	\$ 1,589,997.50
Ophthalmology	Ophthalmology	2.5	0.250	0.630	235,000.00	305,500.00	\$ 134,725.50
Orthopaedics	Orthopaedics	14.0	0.250	3.500	372,000.00	483,600.00	\$ 1,184,820.00
Otolaryngology	Otolaryngology	2.0	0.250	0.500	283,000.00	367,900.00	\$ 128,765.00
Dentistry	Oral Surgery*	3.0	0.250	0.000			\$ 239,585.00
Pathology	Pathology	0.0	0.250	0.000	185,000.00	240,500.00	\$
Pediatrics	Pediatrics	6.0	0.250	1.250	176,000.00	228,800.00	\$ 200,200.00
Pediatrics	Neonatology	3.0	0.250	1.250			\$
Psychiatry	Psychiatry	3.0	0.250	0.750	143,000.00	185,900.00	\$ 97,597.50
Radiology	Radiology	4.0	0.250	1.000	327,000.00	425,100.00	\$ 297,570.00
Surgery	Surgery	20.0	0.250	3.750	303,000.00	393,900.00	\$ 1,033,987.50
Surgery	Plastics Surgery	3.0	0.250	0.250	353,000.00	458,900.00	\$ 80,307.50
Surgery	Critical Care Surgery	2.0	0.250	0.500	313,000.00	406,900.00	\$ 142,415.00
Urology	Urology	2.0	0.250	0.500	303,000.00	393,900.00	\$ 137,865.00
		142.5		35.796		\$	\$ 7,928,575.40

Rates reflect 2008 AAMC Associate Professor 50%ile, Southern Region. All Region data used when regional data not present.

* Assumes rate from previous schedules

MED
UT

RESIDENT SUPERVISION

PROGRAM LETTERS OF AGREEMENT

In order to ensure residents receive appropriate educational experience under adequate supervision, a Program Letter of Agreement (PLA) will be updated and signed annually by the program director and site director for each participating site providing a required program assignment. The PLA will include the following information:

- identify faculty name/or general faculty group who teaches/supervises residents;
- specify their responsibilities for teaching, supervision, and formal evaluation of residents;
- specify the duration and content of the educational experience; and
- state that residents must abide by the policies of the site, the program, and the GMEC.

A copy of the PLA will be sent to and maintained in the GME office.

Individual programs must have specialty-specific supervision policies. Listings of procedural competencies by resident name and by program can be accessed on the GME Resident Supervision web page.

INSTITUTIONAL POLICY ON RESIDENT SUPERVISION

The following resident supervision policy has been approved by the Dean of the College of Medicine: <http://www.uthsc.edu/GME/supervision.php>. Development criteria were to promote patient safety, provide educational excellence, but maintain autonomy based on demonstrated education competence. The policy is effective in all training sites without regard to patient insurance status or time of day. Residents and faculty members in training programs under the auspices of ACGME will abide by the supervision and documentation schema as noted below.

University of Tennessee Graduate Medical Education Resident Supervision Policy

Resident Activity	Resident Activity Description of Supervision	Documentation of Supervision Minimum Level *
A. INPATIENT CARE	New Admission Residents will notify departmental attending physician upon patient admission. The urgency of notification is based upon severity and acuity of patient. The departmental attending physician must see and evaluate the patient within one calendar day of admission.	Level # 2, Co-signature not sufficient

	Continuing Care	Departmental attending physician is personally involved in ongoing care.	Level #4
	Intensive Care	Because of the unstable nature of patients in ICUs, involvement of departmental attending physician is expected on admission and at least on a daily basis.	Level #4
	Hospital Discharge/Transfer	The departmental attending physician must be involved in decision to discharge or transfer patient.	Level # 3 Discharge Summary Signature or Transfer Note Co-signature

B. OUTPATIENT CARE	New Patient Visit	The departmental attending physician must be present in the clinic. Every new patient must be seen by and/or discussed with the departmental attending physician.	Level # 2, Co-signature not sufficient
	Return Patient Visit	The departmental attending physician must be present in the clinic.	Level #4
	Clinic Discharge	The departmental attending physician will assure clinic discharge is appropriate.	Level #4

C. OPERATING / DELIVERY ROOM	The departmental attending physician must be notified prior to the scheduling of the procedure.	The departmental attending physician must physically be present, within the facility where the procedure occurs, for the major components of the procedure and degree of involvement documented.	Level A: Attending performing the procedure, assisted by resident
			Level B: Resident performing the procedure and the departmental attending physician is scrubbed
			Level C: Resident performing the procedure with the departmental attending physician not scrubbed, but present in Operating Room

			<p>Level D: Resident performing the procedure with the departmental attending physician not scrubbed, but present in suite or facility</p> <p>Level E: Emergency Care – Immediate care is initiated to preserve life or prevent impairment. The procedure is initiated with the departmental attending physician contacted and in route</p>
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D. CONSULTATIONS (Inpatient, Outpatient and Emergency Department)	Departmental attending physician must supervise all consults.	Level #4 consistent with patient's condition and principles of graduated responsibility.
E. RADIOLOGY/PATHOLOGY		All reports verified by departmental attending physician prior to release
F. EMERGENCY DEPARTMENT	Assigned Emergency Department Attending physician must be present in the emergency department and is the attending of record. Assigned Departmental attending physician must be involved in disposition of all patients. Patients to be admitted are then assigned to clinical Department Attending (see A.).	Level #4 consistent with patient's condition and principles of graduated responsibility.
G. ROUTINE BEDSIDE & CLINIC PROCEDURES		<p>Level #4 consistent with patient's condition and principles of graduated responsibility as outlined on GME supervision web site</p> <p>http://www.utfsc.edu/GME/supervision.php</p>

H. NON-ROUTINE, NON-BEDSIDE, NON-OR PROCEDURES	(e.g., Cardiac Cath, endoscopy, interventional radiology, etc)	The departmental attending physician must physically be present within the facility where the procedure occurs, for the major components of the procedure and degree of involvement documented.	<p>Level A: Attending performing the procedure, assisted by resident</p> <p>Level B: Resident performing the procedure and the departmental attending physician is assisting</p> <p>Level C: Resident performing the procedure with the departmental attending physician not assisting, but present in suite.</p> <p>Level D: Resident performing the procedure with the departmental attending physician not assisting, but present in suite or facility.</p> <p>Level E: Emergency Care:— immediate care is initiated to preserve life or prevent impairment. The procedure is initiated with the departmental attending physician contacted and in route.</p>
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***Level of Supervision Documentation**

1. Departmental attending physician Note
2. Departmental attending physician Addendum to the resident's note (not a co-signature)
3. Departmental attending physician Co-signature implies that the departmental attending physician has reviewed the resident's note, and absent an addendum to the contrary, concurs with the content of the resident's note.
4. Resident Documentation of departmental attending physician supervision. (e.g., "I have seen and/or discussed the patient with my departmental attending physician, Dr. "X," who agrees with my assessment and plan.")

Board for Licensing Health Care Facilities



State of Tennessee

No. of Beds 0000000186
0024

DEPARTMENT OF HEALTH

This is to certify, that a license is hereby granted by the State Department of Health to

to conduct and maintain a

Hospital

REGIONAL MED EXTENDED CARE HOSPITAL, LLC

Located at 890 MADISON AVENUE, 4TH FLOOR, MEMPHIS

County of SHELBY

Tennessee.

This license shall expire

DECEMBER 02

, 2017

and is subject to the provisions of Chapter 11, Tennessee Code Annotated. This license shall not be assignable or transferable, and shall be subject to revocation at any time by the State Department of Health, for failure to comply with the laws of the State of Tennessee or the rules and regulations of the State Department of Health issued thereunder.

In Witness Whereof, we have hereunto set our hand and seal of the State this 1ST *day of* NOVEMBER *, 2016.*

In the District Category(ies) of: CHRONIC DISEASE HOSPITAL
PEDIATRIC BASIC HOSPITAL



By James J. Davis, MPH
DIRECTOR, DIVISION OF HEALTH CARE FACILITIES

By James J. Davis, MPH
COMMISSIONER



March 3, 2017

Kathy Zeigler, RN
Department of Health
West Tennessee Health Care Facilities
2975 C Highway 45 Bypass
Jackson, TN 38305-3608

VIA: Federal Express

Re: Regional One Health Extended Care Hospital Life Safety Plan of Correction Response

Dear Ms. Kathy Zeigler,

Please accept this letter and enclosed documentation on behalf of Regional One Health Extended Care Hospital in response to correspondence received from your office dated February 23, 2017. The attached Plan of Correction describes how Regional One Health Extended Care Hospital will correct the cited deficiencies and the time frame for completion of the work; specifically the fire stop systems which will be used to repair each penetration.

We believe that the enclosed provides the requested information, but ask that you contact me at mkelly@regionalonehealth.org or (901) 515-3030 if you have any questions, or if anything further is needed. Thank you in advance for your time and attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark Kelly', written over a horizontal line.

Mark Kelly
CEO/Administrator

Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: TNP531186-LT	(X2) MULTIPLE CONSTRUCTION A. BUILDING: 3F - REGION 1 HEALTH SUB ACUTE CARE B. WING _____	(X3) DATE SURVEY COMPLETED 01/11/2017
NAME OF PROVIDER OR SUPPLIER REGIONAL ONE HEALTH EXTENDED CARE HOSPITA		STREET ADDRESS, CITY, STATE, ZIP CODE 880 MADISON AVENUE, 4TH FLOOR MEMPHIS, TN 38103		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
H 871	<p>1200-06-01-.08 (1) Building Standards</p> <p>(1) A hospital shall construct, arrange, and maintain the condition of the physical plant and the overall hospital environment in such a manner that the safety and well-being of the patients are assured.</p> <p>This Rule is not met as evidenced by: National Fire Protection Association (NFPA) 101, 8.2.2.2 (2012 Ed.) Fire compartments shall be formed by fire barriers complying with 8.3. NFPA 101, 8.3.1.3 (2012 Ed.) Walls used as fire barriers shall comply with Chapter 7 of NFPA 221, Standard for High Challenge Fire Walls, Fire Walls, and Fire Barrier Walls. NFPA 221, 7.1 (2012 Ed.) Fire barrier walls shall meet the requirements of this chapter and Chapter 4 except as modified by this chapter. NFPA 221, 4.9.2 (2012 Ed.) Penetrations for cables, cable trays, conduits, pipes, tubes, combustion vents and exhaust vents, wires, and similar items to accommodate electrical, mechanical, plumbing, and communications systems that pass through a wall, floor, or floor/ceiling assembly constructed as a fire barrier shall be protected by a firestop system or device. [5000:8.8.2] NFPA 221, 4.9.3 (2012 Ed.) Where the penetrating item uses a sleeve to</p>	H 871	<p>For all findings documented in this report, the Regional One Health Director, Engineering Services, is responsible for the corrective action and for overall/ongoing compliance. The Director is 3M Certified in Fire Protection and completed the 3M <i>Through Penetrations Program</i>. The Director and team will be utilizing Hilti systems and products.</p> <p>The experienced team from American Program Management, LLC. will continue to monitor projects. This firm specializes in health care facility design.</p> <p>Any contractors with a need to work above the ceiling will be required to contact Facility Engineering and complete an above ceiling permit prior to starting any work that affects fire barriers. A follow-up inspection will be conducted when work is completed to ensure 100% compliance with this requirement.</p> <p>The Administrator of Regional One Health Extended Care Hospital shall monitor the progress of Regional One Health's team to ensure completion. Ongoing review of environment services provided by Regional One Health Extended Care Optional, shall be monitored to ensure timely handling by the Regional One Health Extended Care Hospital quality program.</p>	

Division of Health Care Facilities
LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

TITLE

(X6) DATE

STATE FORM

6000

NHRN21

CEO

3- MARCH 2017

If continuation sheet 1 of 5

Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: TNP531186-LT	(X2) MULTIPLE CONSTRUCTION A. BUILDING: 3F - REGION 1 HEALTH SUB ACUTE CARE B. WING _____	(X3) DATE SURVEY COMPLETED 01/11/2017
NAME OF PROVIDER OR SUPPLIER REGIONAL ONE HEALTH EXTENDED CARE HOSPITA		STREET ADDRESS, CITY, STATE, ZIP CODE 890 MADISON AVENUE, 4TH FLOOR MEMPHIS, TN 38103		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
H 871	<p>Continued From page 1</p> <p>penetrate the wall or floor, the sleeve shall be securely set in the wall or floor, and the space between the item and the sleeve shall be filled with a material that complies with 4.9.2 and 4.9.2.1. [5000:8.8.3]</p> <p>Based on observations, the facility failed to maintain the physical plant.</p> <p>The findings included:</p> <ol style="list-style-type: none"> 1. Observation on 1/11/17 at 12:07 PM, revealed the following penetrations in nursing pod C-3 above the 1 hour fire doors by patient room #22 in the drywall: <ol style="list-style-type: none"> a. 3 unapproved drywall patches. b. 1 easy sleeve not sealed at the wall. c. drywall tape seams and ends were exposed. d. the corner seam of the wall was not completely sealed. e. a 1 inch metal sleeve was not sealed per an approved method. f. a 1 3/4 inch metal sleeve was not sealed per an approved method. g. 2 - 4 inch white insulated lines were not sealed per an approved method. 2. Observation on 1/11/17 at 12:16 PM, revealed the following penetrations above the 1 hour fire doors by the dictation room in the drywall: <ol style="list-style-type: none"> a. drywall tape seams and ends were exposed. b. a 1 1/4 inch metal conduit sleeve was filled over 60% of the opening with cables. 	H 871	<p>1a. This issue will be repaired by reconstructing the wall as per UL465 wall construction detail.</p> <p>1b. This issue will be repaired using Hilti approved fire stopping materials as per system number W-L-1054.</p> <p>1c. This issue will be repaired by reconstructing the wall as per UL465 wall construction detail.</p> <p>1d. This issue will be repaired by reconstructing the wall as per UL465 wall construction detail.</p> <p>1e. This issue will be repaired using Hilti approved fire stopping materials as per system number W-L-1054.</p> <p>1f. This issue will be repaired using Hilti approved fire stopping materials as per system number W-L-1054.</p> <p>1g. This issue will be repaired using Hilti approved fire stopping materials as per system number W-L-1054.</p> <p>2a. This issue will be repaired by reconstructing the wall as per UL465 wall construction detail.</p> <p>2b. This issues will be repaired using Hilti approved fire stopping materials as per system number W-L-3393.</p>	<p>2/25/2017</p> <p>2/25/2017</p>

Division of Health Care Facilities

Division of Health Care Facilities
STATE FORM

Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: TNP531186-LT	(X2) MULTIPLE CONSTRUCTION A. BUILDING: 3F - REGION 1 HEALTH SUB ACUTE CARE B. WING _____	(X3) DATE SURVEY COMPLETED 01/11/2017
NAME OF PROVIDER OR SUPPLIER REGIONAL ONE HEALTH EXTENDED CARE HOSPITA		STREET ADDRESS, CITY, STATE, ZIP CODE 890 MADISON AVENUE, 4TH FLOOR MEMPHIS, TN 38103		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
H 871	Continued From page 4 7. Observation on 1/11/17 at 12:50 PM, revealed the following penetrations above the 45 minute fire doors to the storage area: a. drywall tape seams and ends were exposed. b. 2 - 1 inch metal conduits were not sealed per an approved method. c. the 2 inch black steel sprinkler line had mixed fire stop. d. a 1 inch metal sleeve was not sealed at the wall. National Fire Protection Association (NFPA) 101, 8.2.2.2 (2012 Ed.) Fire compartments shall be formed by fire barriers complying with 8.3.1.3 (2012 Ed.) NFPA 221, 7.1 (2012 Ed.) NFPA 221, 4.9.2 (2012 Ed.) NFPA 221, 4.9.3 (2012 Ed.) The project manager was present when the deficiencies were identified and the administrator acknowledged the deficiencies during the exit interview on 1/11/17.	H 871	6c. This issue will be repaired using Hilti approved fire stopping materials as per system number W-L-1054. 7a. This issue will be repaired by reconstructing the wall as per UL465 wall construction detail. 7b. This issue will be repaired using Hilti approved fire stopping materials as per system number W-L-1054. 7c. This issue will be repaired using Hilti approved fire stopping materials as per system number W-L-1054. 7d. This issue will be repaired using Hilti approved fire stopping materials as per system number W-L-1054.	2/25/2017 2/25/2017

ATTACHMENT "A"

CAULK

FIRE TAPE JOINTS
ABOVE CEILING EA.
SIDE

SEE REFLECTED
CEILING PLAN

5/8" TYPE X GYP. BD.

BATT INSULATION

NOTE: CAULK ALL
PENETRATIONS AND JOINTS
TO LIMIT THE PASSAGE OF
FREE SMOKE

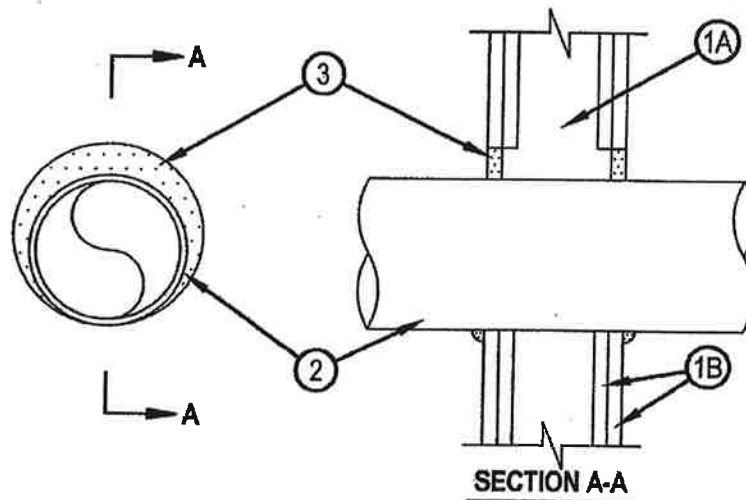
E

1 HR RATEI
DOUBLE 3 5/
TYPE X GYI

System No. W-L-1054

WL 1054

ANSI/UL1479 (ASTM E814)	CAN/ULC S115
F Ratings — 1 and 2 Hr (See Items 1 and 3)	F Ratings — 1 and 2 Hr (See Items 1 and 3)
T Rating — 0 Hr	FT Rating — 0 Hr
L Rating at Ambient — Less Than 1 CFM/sq ft	FH Ratings — 1 and 2 Hr (See Items 1 and 3)
L Rating at 400 F — Less Than 1 CFM/sq ft	FTH Rating — 0 Hr
	L Rating at Ambient — Less Than 1 CFM/sq ft
	L Rating at 400 F — Less Than 1 CFM/sq ft



1. Wall Assembly — The 1 or 2 hr fire-rated gypsum wallboard/stud wall assembly shall be constructed of the materials and in the manner specified in the individual U300 or U400 Series Wall and Partition Designs in the UL Fire Resistance Directory and shall include the following construction features:

- A. Studs — Wall framing may consist of either wood studs or steel channel studs. Wood studs to consist of nom 2 by 4 in. (51 by 102 mm) lumber spaced 16 in. (406 mm) OC. Steel studs to be min 2-1/2 in. (64 mm) wide and spaced max 24 in. (610 mm) OC. When steel studs are used and the diam of opening exceeds the width of stud cavity, the opening shall be framed on all sides using lengths of steel stud installed between the vertical studs and screw-attached to the steel studs at each end. The framed opening in the wall shall be 4 to 6 in. (102 to 152 mm) wider and 4 to 6 in. (102 to 152 mm) higher than the diam of the penetrating item such that, when the penetrating item is installed in the opening, a 2 to 3 in. (51 to 76 mm) clearance is present between the penetrating item and the framing on all four sides.
- B. Gypsum Board* — 5/8 in. (16 mm) thick, 4 ft (122 cm) wide with square or tapered edges. The gypsum board type, thickness, number of layers, fastener type and sheet orientation shall be as specified in the individual U300 or U400 Series Design in the UL Fire Resistance Directory. Max diam of opening is 32-1/4 in. (819 mm) for steel stud walls. Max diam of opening is 14-1/2 in. (368 mm) for wood stud walls. The F and FH Ratings of the firestop system are equal to the fire rating of the wall assembly.

System No. W-L-1054

WL 1054

2. Through-Penetrants — One metallic pipe, conduit or tubing to be installed either concentrically or eccentrically within the firestop system. The annular space shall be min 0 in. to max 2-1/4 in. (57 mm). Pipe may be installed with continuous point contact. Pipe, conduit or tubing to be rigidly supported on both sides of wall assembly. The following types and sizes of metallic pipes, conduits or tubing may be used:
- A. Steel Pipe — Nom 30 in. (762 mm) diam (or smaller) Schedule 10 (or heavier) steel pipe.
 - B. Iron Pipe — Nom 30 in. (762 mm) diam (or smaller) cast or ductile iron pipe.
 - C. Conduit — Nom 4 in. (102 mm) diam (or smaller) steel electrical metallic tubing or 6 in. (152 mm) . diam steel conduit.
 - D. Copper Tubing — Nom 6 in. (152 mm) diam (or smaller) Type L (or heavier) copper tubing.
 - E. Copper Pipe — Nom 6 in. (152 mm) diam (or smaller) regular (or heavier) copper pipe.
3. Fill, Void or Cavity Material* — Sealant — Min 5/8 in. (16 mm) thickness of fill material applied within the annulus, flush with both surfaces of wall. At the point or continuous contact locations between pipe and wall, a min 1/2 in. (13 mm) diam bead of fill material shall be applied at the pipe wall interface on both surfaces of wall.
- HILTI CONSTRUCTION CHEMICALS, DIV OF HILTI INC — FS-One Sealant or FS-ONE MAX Intumescent Sealant

* Indicates such products shall bear the UL or cUL Certification Mark for jurisdictions employing the UL or cUL Certification (such as Canada), respectively.

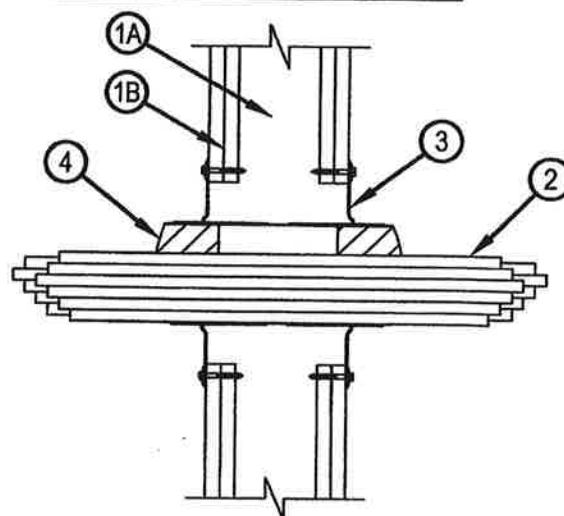
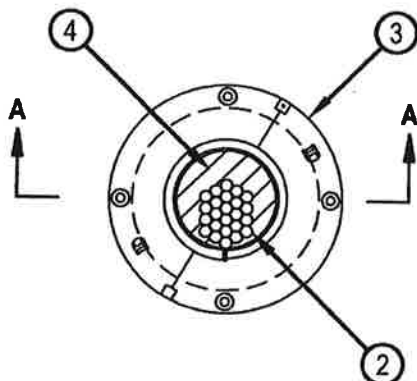


Classified by
Underwriters Laboratories, Inc.
to UL 1479 and CANULC-S115

System No. W-L-3393

WL 3393

ANSI/UL1479 (ASTM E814)	CANULC S115
F Ratings - 1 and 2 Hr (See Item 1)	F Ratings - 1 and 2 Hr (See Item 1)
T Ratings - 0, 3/4 and 1 Hr (See Items 2 and 3)	FT Ratings - 0, 3/4 and 1 Hr (See Items 2 and 3)
L Rating At Ambient - See Item 4	FH Ratings - 1 and 2 Hr (See Item 1)
L Rating At 400F - See Item 4	FTH Ratings - 0, 3/4 and 1 Hr (See Items 2 and 3)
	L Rating At Ambient - See Item 4
	L Rating At 400F - See Item 4



SECTION A-A

1. Wall Assembly — The 1 or 2 hr fire rated gypsum board/stud wall assembly shall be constructed of the materials and in the manner described within the Individual U300, U400, V400 or W400 Series Wall and Partition Designs in the UL Fire Resistance Directory and shall incorporate the following construction features:

A. Studs — Wall framing shall consist of either wood studs or steel channel studs. Wood studs to consist of nom 2 by 4 in. (51 by 102 mm) lumber spaced max 16 in. (406 mm) OC. Steel studs to be min 3-1/2 in. (89 mm) wide and spaced max 24 in. (610 mm) OC.

B. Gypsum Board* — Nom 5/8 in. (16 mm) thick gypsum board as specified in the individual Wall and Partition Design. Opening in gypsum board to be max 8 in. (203 mm) diam for 4" device and max 6 in. (152 mm) diam for 2" device.

The hourly F and FH Ratings of the firestop system are dependent upon the hourly rating of the wall in which it is installed.



Hilti Firestop Systems

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Underwriters Laboratories, Inc.
January 25, 2013

2. Cables — Within the loading area for each firestop device, the aggregate cross-sectional area of cables to be min 0 to max 60 percent fill. Cables to be tightly bundled within the device and rigidly supported on both sides of wall assembly. Any combination of the following types of cables may be used:

- A. Max 100 pair No. 24 AWG (or smaller) copper conductor telecommunication cable with polyvinyl chloride (PVC) jacketing and insulation.
- B. Max 7/C No. 12 AWG copper conductor control cable with PVC or XLPE jacket and insulation.
- C. Max 4/0 AWG Type RHH ground cable.
- D. Max 4 pr No. 22 AWG Cat 5 or Cat 6 computer cables.
- E. Max RG 6/U coaxial cable with fluorinated ethylene insulation and jacketing.
- F. Fiber optic cable with polyvinyl chloride (PVC) or polyethylene (PE) jacket and insulation having a max diam of 1/2 in. (13 mm).
- G. Max 3/C No 12 AWG MC Cable.

For opening with cables, when the hourly rating of the wall assembly is 1 hr, the T, FT and FTH Ratings are 0 hr. For opening with cables, when the hourly rating of the wall assembly is 2 hr, the T, FT and FTH Ratings are 1 hr except that when Item 2C is used, the T, FT and FTH Ratings are 3/4 hr.

3. Firestop Device* — Firestop device consists of a corrugated steel tube with a flange at each end that is spun clockwise onto device threads, butting tightly to both sides of wall. Each flange is secured to face of wall with min four No. 10 by 1-1/2 in. (38 mm) steel laminating screws through prepunched holes in flange. Device is designed to allow installation before or after the cable penetrants are in place. Device slid into wall such that ends project an equal distance from the approximate centerline of the wall assembly. The annular space between the device and the periphery of the opening shall be min 0 in. (point contact) to max 2 in. (51 mm). For blank openings (no cables) in 2 hr rated walls, the T, FT and FTH Ratings for the firestop system are 1 hr. For blank openings (no cables) in 1 hr rated walls, the T, FT and FTH Ratings are 0 hr.

HILTI CONSTRUCTION CHEMICALS, DIV OF HILTI INC — CFS-SL RK 2" and 4" Firestop Sleeve

4. Fill, Void or Cavity Material* - Plug — Nom 2 or 4 in. (51 or 102 mm) plug sized for the firestop device (Item 3) friction fit within the sleeve flush with the end of the sleeve on both sides of the wall assembly. Plug cut to fit around the cable bundle and installed tightly within the sleeve.

HILTI CONSTRUCTION CHEMICALS, DIV OF HILTI INC — CFS-PL Firestop Plug

The following L Ratings are covered. Cable bundle shall be centered within the device.

	CFM (per device)		CFM/Sq Ft Opening	
	Ambient	400°F	Ambient	400°F
Blank Opening (no cables)	1.3	1.1	3.8	3.0
Max 33% aggregate cable fill	2.8	1.2	8.1	3.3



Hilti Firestop Systems

Reproduced by HILTI, Inc. Courtesy of
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January 25, 2013

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'/images/logo_2016_sRGB.svg' ) }}
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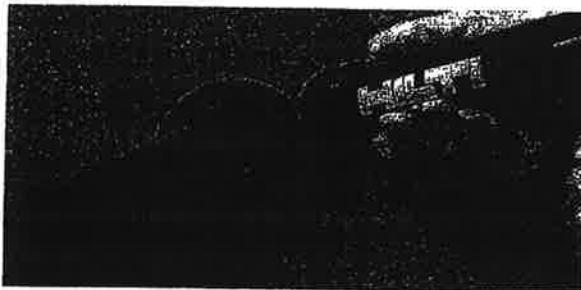
Home Innovation Magazine Firestop Sealant FS-ONE MAX

FIRESTOP SEALANT FS-ONE MAX

Take coverage and performance to the max.

Even the best product on the market can be improved. That's why we've updated the premier intumescent Firestop Sealant FS-ONE to Hilti Firestop Sealant FS-ONE MAX. With an extended shelf life, improved handling and an ethylene glycol-free composition, FS-ONE MAX is the next generation of intumescent firestop sealant.

FS-ONE MAX directly replaces Hilti Firestop Sealant FS-ONE. In addition, all of our UL systems have been updated to reflect the new, improved FS-ONE MAX. That means you'll now find more than 600 UL systems to help protect combustible and non-combustible penetrations for up to 4 hours of fire rating.



Applications

- Seal most common through penetrations in a variety of base materials
- Use on concrete, masonry and drywall
- Use with mixed and multiple penetrations
- Seal metal pipe penetrations: copper, steel and EMT
- Seal insulated metal pipe penetrations: steel and copper

Advantages

- Versatile: an intumescent firestop sealant for a wide variety of penetrations
- Effective: smoke, gas and water resistant
- Workable: water-based material is easy to dispense and apply
- Paintable: trowel to a smooth finish
- Storable: long shelf life
- Cleaner: ethylene glycol-free

- Flexible: W-rated systems available
- American: satisfies Buy American standards

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Specifications & CAD Details >

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eirmod tempor invidunt ut labore et dolore magna aliquyam erat, sed diam
voluptua. At vero eos et accusam et justo duo.

Hilti USA

Service Hotline: (800) 879-8000

CERTIFICATE OF COMPLIANCE

Certificate Number 20150108-R13240
Report Reference R13240
Issue Date 2015-January-08


Issued to: Hilti Construction Chemicals, Div of Hilti Inc.
5400 S 122nd East Ave
Tulsa, OK 74146

This is to certify that
representative samples of

Fill, Void or Cavity Materials
Fill, Void or Cavity Materials Certified for Canada
FS-ONE MAX Intumescent Sealant for use in Through-
Penetration Firestop and Joint Systems in the UL Fire
Resistance Directory and in the Products Certified for
Canada Directory.

Have been investigated by UL in accordance with the
Standard(s) indicated on this Certificate.

Standard(s) for Safety:

 Fire Tests of Through-Penetration
Firestops, - Edition 4
ANSI/UL 2079, "Tests for Fire Resistance of Building Joint
Systems" - Edition 4 - Revision Date 2014/12/17
CAN/ULC-S115, "Standard Method of Fire Tests of Firestop
Systems" - Edition 4 - Issue Date 2011/06/01

Additional Information:

See the UL Online Certifications Directory at
www.ul.com/database for additional information

Only those products bearing the UL Classification Mark should be considered as being covered by
UL's Classification and Follow-Up Service.

The UL Classification Mark includes: UL in a circle, with the word "CLASSIFIED" (as shown); a control
number (may be alphanumeric) assigned by UL; a statement to indicate the extent of UL's evaluation of
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Look for the UL Classification Mark on the product.



William R. Carney, Director, North American Certification Programs

UL LLC

Any information and documentation involving UL Mark services are provided on behalf of UL LLC (UL) or any authorized licensee of UL. For questions, please
contact a local UL Customer Service Representative at www.ul.com/contact.



Retrofit Sleeve Kit CFS-SL RK

Product description

- Retrofit cable management device for easily and safely firestopping existing cable applications
- Offered in 2" and 4" diameter versions
- Standard kit includes (1) retrofit sleeve (2) retrofit flanges with smoke seal (2) Firestop Plugs CFS-PL

Product features

- Fast and easy installation for existing cables with ability to re-penetrate
- Integrated smoke seal eliminates the need to add sealant behind the flange
- Oversized flanges for irregular and large openings
- Pre-cured, pre-formed firestop material does not expire, eliminating shelf-life concerns
- Protects most typical firestop cable applications
- 4" diameter device is compatible with the Hilti Gangplate (CFS-SL GP)
- Buy American compliant
- Meets LEED™ requirements for indoor environmental quality credit 4.1 Low Emitting Materials, Sealants and Adhesives
- Low VOC content and no CFCs or HCFCs

Areas of application

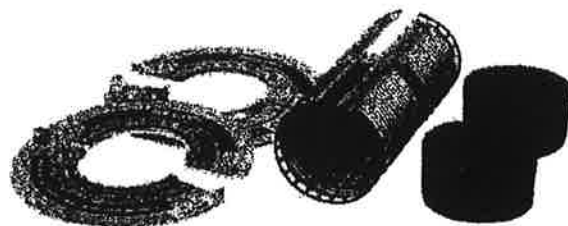
- Single and bundled cables in gypsum and CMU walls


Examples

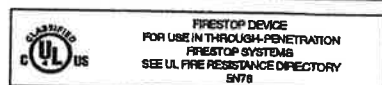
- Safely firestopping existing cable applications in fire rated walls, especially where future re-penetration is needed

Installation instructions for Firestop Retrofit Sleeve Kit

See Hilti Literature or third-party listings for complete application and installation details



Technical Data	CFS-SL RK
2" Device	Sleeve: OD 2.6 in / ID 2.3 in Flange: OD 8 in
4" Device	Sleeve: OD 4.6 in / ID 4.3 in Flange: OD 10 in
Overall sleeve length	10.5 in
Expansion ratio (unrestricted)	Approx. 1:3
Temperature resistance	5° F to 140° F (-15° C to 60° C)
Intumescent activation	Approx. 392° F (200° C)
Surface burning characteristics (ASTM E 84-10b)	Flame Spread: 10 Smoke Development: 15
Tested in accordance with	ASTM E 814  ASTM E 574 (CFS-PL only)



Hilti Firestop
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Hilti, Inc. (U.S.) 1-800-879-8000 www.us.hilti.com • www.us.hilti.com/firestop • en español 1-800-879-6000

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TO KATHY ZEIGLER, RN WEST TN HEALTH CARE FACILITIES 2975 C HIGHWAY 45 BYPASS DEPARTMENT OF HEALTH JACKSON TN 38305 (000) 000-0000 NW: REF: 13038 PO: DEPT:		BILL SENDER
		
		
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Maupin, Susan

From: TrackingUpdates@fedex.com
Sent: Monday, March 06, 2017 9:11 AM
To: Maupin, Susan
Subject: FedEx Shipment 778572088111 Delivered

Your package has been delivered

Tracking # 778572088111

Ship date:
Fri, 3/3/2017

Virginia Odegaard
MURER CONSULTANTS, INC
MOKENA, IL 60448
US

Delivery date:
Mon, 3/6/2017 9:08 am

Kathy Zeigler, RN
West TN Health Care Facilities
2975 C Highway 45 Bypass
Department of Health
JACKSON, TN 38305
US



Delivered

Shipment Facts

Our records indicate that the following package has been delivered.

Tracking number: 778572088111

Status: Delivered: 03/06/2017 09:08
AM Signed for By:
B.STRICKLAND

Reference: 13038

Signed for by: B.STRICKLAND

Delivery location: JACKSON, TN

Delivered to: Receptionist/Front Desk

Service type: FedEx Priority Overnight


Packaging type: FedEx Envelope

Number of pieces: 1

Weight: 0.50 lb.

Special handling/Services: Deliver Weekday

Standard transit: 3/6/2017 by 10:30 am

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All weights are estimated.

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Thank you for your business.



April 5, 2017

Mr. Mark Kelly, Administrator
Regional One Health Extended Care Hospital
890 Madison Avenue, 4th Floor
Memphis, TN 38103

RE: Fire Safety Licensure Survey

Dear Mr. Kelly:

The West of Health Care Facilities completed a fire safety licensure survey on **January 11, 2017**. Based on the revisit completed **March 31, 2017**, we are accepting your plan of correction and found your facility to be in substantial compliance with all participation requirements as of **February 25, 2017**.

If you have any questions, please contact at West Tennessee Regional Office at 731-984-9684.

Sincerely,

Kathy Zeigler

Kathy Zeigler, RN
Public Health Nurse Consultant 2


KZ/tw

**The Commercial Appeal
Affidavit of Publication**

STATE OF TENNESSEE

COUNTY OF SHELBY

Personally appeared before me, Glenn W. Edwards, a Notary Public, Helen Curl, of MEMPHIS PUBLISHING COMPANY, a corporation, publishers of The Commercial Appeal, morning and Sunday paper, published in Memphis, Tennessee, who makes oath in due form of law, that she is Legal Clerk of the said Memphis Publishing Company, and that the accompanying and hereto attached advertisement was published in the following editions of The Commercial Appeal, to-wit:

January 10, 2018

Helen Curl

Subscribed and sworn to before me this 10th day of January, 2018.

Glenn W. Edwards Notary Public

My commission expires January 20, 2020.





State of Tennessee

Health Services and Development Agency

Andrew Jackson, 9th Floor, 502 Deaderick Street, Nashville, TN 37243

www.tn.gov/hsda

Phone: 615-741-2364

Fax: 615-741-9884

February 1, 2018

Graham Baker, Esq.
Anderson and Baker
2120 Richard Jones Road
Nashville, TN 37215

RE: Certificate of Need Application – Regional MED Extended Care Hospital, LLC dba
Regional One Health Extended Care Hospital - CN1801-003

The addition of 24 long-term care hospital (LTCH) beds to Regional One Extended Care Hospital, 890 Madison Avenue, Memphis, (Shelby County), TN. If approved, the LTCH will contain 54 licensed beds. The facility currently has 24 licensed beds and 6 CON approved but unimplemented beds. The applicant is owned by the Shelby County Health Care Corporation. The estimated project cost is \$8,729,910.

Dear Mr. Baker:

This is to acknowledge the receipt of supplemental information to your application for a Certificate of Need. Please be advised that your application is now considered to be complete by this office.

Your application is being forwarded to Trent Sansing at the Tennessee Department of Health for Certificate of Need review by the Division of Policy, Planning and Assessment. You may be contacted by Mr. Sansing or someone from his office for additional clarification while the application is under review by the Department. Mr. Sansing's contact information is Trent.Sansing@tn.gov or 615-253-4702.

In accordance with Tennessee Code Annotated, §68-11-1607, et seq., as amended by Public Chapter 780, the 60-day review cycle for this project began on February 1, 2018. The first 60 days of the cycle are assigned to the Department of Health, during which time a public hearing may be held on your application. You will be contacted by a representative from this Agency to establish the date, time and place of the hearing should one be requested. At the end of the 60-day period, a written report from the Department of Health or its representative will be forwarded to this office for Agency review. You will receive a copy of their findings. The Health Services and Development Agency will review your application on April 25, 2018.

Mr. Baker

Page 2

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (3) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
- (4) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have questions or require additional information, please contact me.

Sincerely,



Melanie M. Hill
Executive Director

cc: Trent Sansing, TDH/Health Statistics, PPA



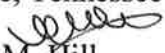
State of Tennessee

Health Services and Development Agency

Andrew Jackson, 9th Floor, 502 Deaderick Street, Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

MEMORANDUM

TO: Trent Sansing, CON Director
Office of Policy, Planning and Assessment
Division of Health Statistics
Andrew Johnson Tower, 2nd Floor
710 James Robertson Parkway
Nashville, Tennessee 37243

FROM: 
Melanie M. Hill
Executive Director

DATE: February 1, 2018

RE: Certificate of Need Application
Regional MED Extended Care Hospital, LLC dba Regional One
Health Extended Care Hospital - CN1801-003

Please find enclosed an application for a Certificate of Need for the above-referenced project.

This application has undergone initial review by this office and has been deemed complete. It is being forwarded to your agency for a sixty (60) day review period to begin on February 1, 2018 and end on April 1, 2018.

Should there be any questions regarding this application or the review cycle, please contact this office.

Enclosure

cc: Graham Baker



State of Tennessee
Health Services and Development Agency

Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

2018 JAN 10

LETTER OF INTENT

The Publication of Intent is to be published in the Commercial Appeal which is a newspaper of general circulation in Shelby County, Tennessee, on or before January 10, 2018, for one day.

=====

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that Regional MED Extended Care Hospital, LLC, d/b/a Regional One Health Extended Care Hospital ("Applicant"), 890 Madison Avenue, 4th Floor, Memphis (Shelby County), Tennessee 38103, a licensed twenty-four (24) bed hospital (with six [6] additional beds approved in December, 2017) providing Long Term Acute Care Hospital ("LTACH") services, owned by Shelby County Health Care Corporation, with the Applicant having an ownership type of Limited Liability Company and the owner having an ownership type of corporation, intends to file a Certificate of Need application for the addition of twenty-four (24) hospital beds limited to LTACH services. The requested twenty-four (24) additional beds will be housed on the 3rd floor of the existing building, and will be licensed by the Tennessee Department of Health as hospital beds. There is no major medical equipment involved with this project. No other health services will be initiated or discontinued. The estimated project cost is anticipated to be approximately \$9,000,000.00.

The anticipated date of filing the application is: January 12, 2018.

The contact person for this project is E. Graham Baker, Jr., Attorney, who may be reached at Anderson & Baker, 2021 Richard Jones Road, Suite 120, Nashville, TN 37215, 615/370-3380.


(Signature)

01/10/2018
(Date)

graham@grahambaker.net
(E-mail Address)

The Letter Of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

**Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243**

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

=====

Supplemental #1 (Original)

Regional MED Extended
Care Hospital, LLC, dba
Regional One Health
Extended Care Hospital

CN1801-003

2018 JAN 29 PM 2:07

Supplemental #1

January 29, 2018

2:07 PM

ANDERSON & BAKER

An Association of Attorneys

**2021 RICHARD JONES ROAD, SUITE 120
NASHVILLE, TENNESSEE 37215-2874**

ROBERT A. ANDERSON

Direct: 615-383-3332

Facsimile: 615-383-3480

E. GRAHAM BAKER, JR.

Direct: 615-370-3380

Facsimile: 615-221-0080

January 29, 2018

Mark A. Farber, Deputy Director
State of Tennessee
Health Services and Development Agency
Andrew Jackson State Office Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243


Hand-Delivered

Re: Certificate of Need Application CN1801-003
Regional One Extended Care Hospital
Supplemental Responses

Dear Mr. Farber:

Please find attached the Applicant's responses to your first set of Supplemental Questions.
Please contact me if you have any additional questions.

Sincerely,



E. Graham Baker, Jr.

Encl: As Noted

1. Section A, Executive Summary, Overview, A.1.

Based upon the information provided by the applicant, it appears the 25% Rule will go into effect October 1, 2018, just a few months after completion of this project. Utilizing the tables below please identify the current admission pattern to the LTACH and project how that may change after completion of the proposed project.

Historical Inpatient Admissions by Admission Source-2014-2016

Admission Source	2014 Admissions	% Total	2015 Admissions	% Total	2016 Admissions	% Total
Reg One	34	54%	88	49%	102	53%
Other Hosp	29	46%	93	51%	94	47%
TOTAL	63	100%	181	100%	196	100%

Projected Inpatient Admissions by Admission Source-2019-2020

Admission Source	Year 1 Admissions	% Total	Year 2 Admissions	% Total
Reg One	9243	55%	9243	55%
Other Hosp	7562	45%	7562	45%
TOTAL	16805	100%	16805	100%

Response: Historically, between 50% and 55% of our LTACH patients originate from Regional One, our host hospital. All other patients originate from other hospitals, with no other hospital providing anywhere close to 25% of our patients. In fact, only one year has an “other” hospital provided more than 10% of our patients, and that was a local hospital in Memphis. We estimated 55% of our future (Year 1 and Year 2) patients would originate from our host hospital.

Second, the projected chart above correctly identifies the projected admissions as “Year 1” and “Year 2.” However, please note that the chart name is incorrectly identified as “2019-2020.” We do not know exactly when the new beds will open, but are comfortable estimated for Year 1 and Year 2, as opposed to actual calendar or fiscal years.

Please note, the following information should be understood in conjunction with the 25 Percent Threshold Policy (“Policy”). The Policy is a per discharge payment adjustment to the LTACH PPS that is applied to payments for Medicare patient discharges when the number of patients originating from any single referring hospital (based upon CCN) is in excess of 25 percent of the total Medicare discharges.¹ If the LTACH exceeds the threshold during the current cost reporting period, payment of the discharge that puts the LTACH over the 25 percent threshold and all discharges subsequent to that discharge are subject to an adjusted reimbursement. Discharges **not** in excess of the 25 percent threshold are unaffected by the Policy. Additionally, if the patient was transferred from an acute care hospital that already qualifies for outlier payments or it is a Medicare Advantage Plan patient, the admission does not count towards the hospital’s allowable percentage.

¹ Medicare Discharges from *Hospital X* (Minus outlier patients & Medicare Advantage patients) / Total Medicare Discharges (Minus Medicare Advantage Patients)

It is also important to note that the Policy is currently **not** in effect. The Bipartisan Budget Act of 2013 delayed application of the Policy, implementation was further suspended under the 21st Century Cures Act. In addition, the Fiscal Year 2018 Final Rule postponed the implementation yet again, until October 1, 2018.² The reason for the current postponement, as explained in the Federal Register issued by CMS, is in order that they may be better able to examine the data under the application of the site neutral payment rate. As stated by CMS, this examination is necessary in order to determine whether the Policy remains necessary and appropriate, in light of the additional measures currently in place.

At this time, it is underdetermined whether the 25 Percent Threshold Policy will in fact remain necessary and appropriate on October 1, 2018.³

Assuming that the floor plan for Turner Floors #3 and #4 are the same, please explain why it will be economically feasible to staff all 24 beds on Floor #3 but only to continue to staff 21 of 24 beds on Floor #4.

Response: The Applicant currently staffs all 24 beds on the 4th floor. As explained in the application, at first, we were unable to staff 3 of those beds due to the positioning of the beds on the floor as related to the nurses' station(s). In effect, our costs to staff those 3 beds exceeded the revenue from those beds. Much of the historical information (e.g., occupancy rate, patient revenue) given in the application reflects data for just 21 beds, and the explanation is given why those 3 beds were not staffed. However, due to the closing of the facility at Methodist, the demand for LTACH beds at our facility have exceeded our ability to provide those beds, and we made plans to start staffing all 24 beds on that floor some time ago due to the fact we believe we can fill those beds. The increase in total beds at our LTACH provides us with the additional revenue necessary to absorb the cost of staffing those unique beds. We attempted to explain this on page 38 of the application, as follows:

"It is important to note that the Applicant had been staffing only 21 beds since licensure. This restriction is a reflection of the layout of our beds, and staffing the additional three (3) beds on the fourth floor originally resulted in financial loss. Therefore, the fact that we averaged 20.21 patients in a 21 bed facility is indicative of how our existing staffed beds are utilized to capacity. We now staff all 24 beds due to increased demand."

It is noted that the decision on where to relocate the rehab beds has not been made. What are the options under consideration? Are there empty nursing units on the Regional One Health campus to accommodate these beds?

Response: There remains a need for some rehab beds at our facility. Our only option is to relocate the beds from the 3rd floor of Turner Tower, but we have not concluded our research as to where the beds might be relocated, as stated in the application. We understand that the movement of rehab beds might well trigger another Certificate of Need application. Other than that, we continue to research the various locations where the rehab beds might be relocated, but prefer not to speculate until our research is completed.

² There was a three month gap period between 7/1/2016 and 10/1/2016 in which the Policy applied, but since it utilized full year discharges in comparison to the three month threshold period, CMS has indicated there was no practical effect of the Policy during the gap period.

³ 82 CFR 37990 at 38318-38320

How will the 24 beds on the third floor be separated from the general patient population of Regional One Health?

Response: These beds will be separated as are the existing LTACH beds, and the separation currently and will continue to comply with Licensure standards. As reported on page 2 of the application:

“The Applicant is approved to add six (6) LTACH beds on the 2nd floor, plus this project is to add twenty-four (24) beds on the 3rd floor. The Applicant has discussed these projects with Licensure, and both projects meet licensure standards.”

In addition, the 4th floor is a discrete unit attached to but separated from the main hospital by corridors and locked doors, and both the 24 beds on the 3rd floor and the 6 beds on the 2nd floor will be likewise separated from other services on their respective floors.

2. Section A, Project Details, Item 6. Legal Interest in the Site

The Option to Lease included in the application indicates that if a CON is not filed within 90 days of the execution of the Option to Lease, the Option to Lease will terminate. The Option to Lease was executed on August 11, 2017. The application was filed on January 11, 2017, a date which is greater than 90 days from the executed Option to Lease.

Please files a valid and fully executed Option to Lease and be sure that the period of validity is at least to some date after the expected approval date by HSDA.

Response: Unfortunately, the snow on January 12th, coupled with the State Holiday on January 15th resulted in our application being submitted prior to all documents being executed. Please see new Supplemental Option to Lease.

3. Section A, Project Details, Item 6B-(2) Floor Plan

The floor plans submitted are noted; however, they are for the 2nd and 4th floors. Please provide a floor plan for the 3rd floor, which includes labeling of patient care rooms.

Response: Please see Supplemental 3rd floor footprint.

4. Section A, Project Details, Item 10, Bed Complement Data Chart

For the existing 24 bed unit the chart indicates that all 24 of the licensed beds are staffed while in other parts of the application the indication is that 21 of the 24 beds are staffed.

Please address this discrepancy.

Response: The Applicant currently staffs all 24 beds on the 4th floor. As explained in the application, when we first opened our LTACH, we were unable to staff 3 of those beds due to the positioning of the beds on the floor as related to the nurses' station(s). In effect, our costs to staff those 3 beds exceeded the revenue from those beds. Much of the historical information (e.g., occupancy rate, patient revenue) given in the application reflects data for just 21 beds, and the explanation is given why those 3 beds were not staffed. However, due to the closing of the facility at Methodist, the demand for LTACH beds at our facility have exceeded our ability to provide those beds, and we made plans to start staffing all 24 beds on that floor some time ago due to the fact we believed we could fill those beds. The increase in total beds at our LTACH provides us with the additional revenue necessary to absorb the cost of staffing those unique beds. We attempted to explain this on page 38 of the application, as follows:

"It is important to note that the Applicant had been staffing only 21 beds since licensure. This restriction is a reflection of the layout of our beds, and staffing the additional three (3) beds on the fourth floor originally resulted in financial loss. Therefore, the fact that we averaged 20.21 patients in a 21 bed facility is indicative of how our existing staffed beds are utilized to capacity. We now staff all 24 beds due to increased demand."

5. Section B, Need, Item A Section C, Item 1.a. (Long Term Care Hospital Beds-A. Need 1.)

Please complete the following table:

County	Existing LTACH Beds	*Needed LTACH Beds	+ Surplus/-Need
Shelby	99	50	(49)

*Calculate Need as follows: $0.5 \times (2020 \text{ County Population} / 10,000) = \text{Needed LTACH Beds}$

Response: The chart below shows the LTACH bed need for Shelby County, only, and the calculated number for 2020 is inserted in the 3rd column of the requested chart above. The chart below shows the calculations:

	Population		0.5 LTACH bed X (10,000 population)		Current licensed & approved beds	Net Need	
	2018	2020	2018	2020	2018	2018	201920
Shelby County	970,212	981,022	49	50	99	(50)	(49)

It is important to note that the requested LTACH bed need for only Shelby County implies that the service area for this project is limited to Shelby County, alone. That implies there is a surplus of 49 beds in 2020 as noted in the chart above.

However, the original submission contained the following statement regarding the project's service area:

“As the service being provided is very specialized, patients originate from a wide geographic area. The facility's existing service area is primarily Shelby County, Tennessee, plus coterminous counties in Mississippi and Arkansas. A few of our patients originate in some of the western counties in Tennessee and Missouri and Alabama, but not enough to be included in the primary service area. As shown on Attachment B.Need.C, in 2015, approximately 83% of the Applicant's patients from Tennessee originated from Shelby County, approximately 53% of all patients originated from Shelby County, approximately 63% of its patients originated from Tennessee and approximately 37% of its patients came from out of state. Regarding the out of state patients, about 57% originated from Mississippi, and about 40% came from Arkansas. The approval of these relatively few beds is not expected to alter the existing service area of the Applicant.”

The Applicant maintains the project's service area to be much larger than Shelby County, Tennessee, as explained in the application. Only about half (53%) of the Applicant's patients originated from Shelby County in 2015, and only 63% of our patients originated from Tennessee, as stated in the quote above. Our primary service area is as originally stated, including Shelby County, Tennessee, plus coterminous counties in Mississippi and Arkansas.

6. Section B, Need, Item A Section C, Item 1.a. (Long Term Care Hospital Beds-A. Need 2.)

Please complete the following table for Shelby County LTACH facilities:

Facility	Licensed LTACH Beds	2016 LTACH Patient Days	2016 Licensed LTACH Occupancy
Baptist	30	7041	64.3%
Methodist	36	4808	36.6%*
Select	39	10311	72.4%
Regional Med	24	7160	81.7%
TOTAL	129	29,320	62.3%

*Note: * Methodist is now closed.*

*** Also, since Regional Med staffed only 21 beds historically, the 2016 occupancy rate would have been 93.4% of staffed beds.*

*

7. Section C, Need, Item 1.a. (Long Term Care Hospital Beds-. B. Economic Feasibility 1.)

What is the savings for a typical LTACH hospital stay over short-term general acute care alternative at Regional One Health?

Response: As stated on page 25 of the Application,

“...the total equivalent inpatient cost per day at Regional One Health is \$3,137. The total operating expenses per day for Regional One Health Extended Care Hospital is \$1,730. With a daily differential of \$1,407 multiplied by the length of stay as reported on the most recently filed cost report of 33.75 days, the savings to retaining the patient at the short term acute care venue would average \$47,486 per Medicare patient.”

In addition, since our most recent ALOS is 33.75 days, each bed would “turn over” 10.8 times per year. This means that the addition of 24 LTACH beds, operating at 100% utilization with Medicare patients, would result in potential of annual savings to Medicare of \$12,308,371.20.

8. Section C, Need, Item 1.a. (Long Term Care Hospital Beds-B. Economic Feasibility 2.)

Please complete the following charts for the most recent year available:

Payor	Admissions	% of Total
Medicare	137	69.9
TennCare/Medicaid	11	5.6
Commercial	35	17.9
Self-Pay	2	1.0
Charity Care	0	0.0
Other WC	11	5.6
Total	196	100.0

Age Group	Admissions	% of Total
Age 0-17	3	1.5
Age 18-44	56	28.6
Age 45-64	41	20.9
Age 65+	96	49.0
Total	196	100.0

(Note: the most recent year is 2016, and our 2016 fiscal year runs from 07/15/15 – 06/30/16. Further, our records are kept by age groups “under 15,” “15-17,” “18-64,” “65-74,” “75-84,” and “85 and older.” Therefore, there is some rounding on the lower chart above to arrive at 100%.)

9. Section C, Need, Item 1.a. (Long Term Care Hospital Beds-B. Economic Feasibility 3.)

Is the applicant suggesting that because of CMS reimbursement there are not enough potential Charity Care and Medically Indigent LTACH patients to total a 5% charity/medically indigent payor mix? Please discuss further.

Response: A review of the 4 LTACHs which operated in Memphis in 2016 (Methodist closed on June 30, 2016, and voluntarily surrendered its 39 beds) indicates that:

- the Baptist LTACH provided 1.8% of charity care;
- the Methodist LTACH provided 0.5% of charity care;
- the Select LTACH provided 0.0% of charity care; and
- the Applicant (Regional Med Extended Care LTACH) provided 0.2% of charity care.

There is very little reimbursement considering the amount of revenue we receive on any particular patient. If a facility has a relatively small number of beds (and the Applicant has traditionally had the smallest number of LTACH beds of any facility in Memphis), there is not enough profit margin to identify and provide care for a significant number of charity patients. This is especially true when the HSDA definition of charity care is so specific ("those patients who you know, up front, you will not be reimbursed for their care."). Many facilities add their charity care to bad debt and just write off all of it at once, not distinguishing whether or not a patient was a charity patient or a bad debt patient. From a financial standpoint, it matters not to the facility which of those two categories a particular patient falls into: the facility isn't being paid.

Further, note that 99% of the LTACH patients at the Applicant's facility were reimbursed from some program, be it Medicare, TennCare, Commercial Insurance, or Worker's Comp. Only 1% of our LTACH patients in 2016 were self-pay patients, which is the category from which you might expect a charity care patient to be. It is understood in the health care industry that LTACH care is basically a long-term program designed to care for people in specific health care situations that preclude the provision of that care by regular hospitals, and there are many payment mechanisms for those LTACH patients. The 5% charity care goal is not a federal mandate, nor is it mentioned in the Medicare program. This goal was originally set for all LTACHs in Tennessee by the Tennessee State Health Plan when the specific type of care ("LTACH") was originally authorized. The Applicant believes the wording of that goal should be considered for revision.

10. Section C, Need, Item 1.a. (Long Term Care Hospital Beds-C. Orderly Development. 1.)

Please provide the actual average hours per patient per day of rehabilitation provided to the patients of the applicant facility for the most recent year available. Please also do the same with nursing hours.

Response: As stated on pages 45 and 46 of the application,

“In addition, please note that the actual average hours per patient day for rehabilitation for the most recent year available is 0.4 hours (23 minutes) per patient day.

“The actual average hours per patient day for nursing hours for the most recent year available (including productive time for RNs only) are 9.43 hours.

“Due to the acuity of the patient population seen at Regional One Health Extended Care Hospital, the projected nurse staffing hours will be 9.48 (See calculation below) hour per patient day. The projected therapy staffing will be .4 hours per patient day consistent with our actual in the most recent year. Combined nursing and therapy staffing hours per patient day will be 9.88.

“The Applicant will continue to focus on nursing and therapeutic care for our patients, as emphasized in the guidelines for LTACH care. Furthermore, our projected caseload will require no more than three (3) hours per day of rehabilitation.”

Utilizing projected staffing patterns and projected patient utilization, please provide the calculations that indicate that patients will be receiving 6-8 hours per patient day of nursing and therapeutic services.

Response: Please see chart below:

Staff	FTE	Production Hrs/Week	Hrs/Week	Weeks/ Yr	Tot Hrs	Pt Days	Hrs/Pt Day
Nursing	85.1	36	3,064	52	159,307	16,805	9.48
Rehab	3.6	36	129	52	6,722	16,805	0.40
Total							9.88

Again, the acuity of our patients requires more nursing hours than would be expected, and we project 9.48 nurse staffing hours per patient day. Our projected rehab staffing is 0.40 hours per patient day.

11. Section C, Need, Item 1.a. (Long Term Care Hospital Beds-A. Orderly Development. 2.)

Please indicate the latest annual average aggregate length of stay as calculated by the Health Care Finance Administration.

Response: Since there is no Health Care Finance Administration, the Applicant assumes you are referring to the ALOS provided by the Applicant to CMS for the latest annual Cost Report. Our last Cost Report showed our ALOS to be 33.75 days, as indicated in the original filing of this application.

In 2016, we admitted 196 patients and provided 7160 patient days of care, resulting in an ALOS of 36.53 days, indicating that our next CMS Cost Report will show the new number.

12. Section C, Need, Item 1.a. (Long Term Care Hospital Beds-A. Orderly Development. 3.)

Please provide historical data from the existing LTACH documenting the average number of hours of rehabilitation per day per patient.

Response: In 2017, we delivered 7,378 patient days of care and incurred 2,951.2 hours of rehabilitation, resulting in 0.4 hours/day of rehabilitation per day per patient. Note that this was in our latest fiscal year (07/01/16 – 06/31/17), not the latest Joint Annual Report.

13. Section B, Need, Item C

Please update the Bed Need Chart on Page 19 of the application to reflect Years 2018 and 2020.

Response: Please see replacement page 19.

14. Section B, Need, Item D.1.

Please update the demographic table on Page 20 reflecting 2018 as the current year and 2020 as the projected year.

Response: Please see replacement pages 20, 22, and 23.

15. Section B, Need, Item E

Your response is noted. Please update the utilization tables on pages 24 and 25 to reflect Years 2014-2016.

Response: Please see replacement pages 24 and 25.

16. Section B, Need, Item F.

Please also complete the following chart for the applicant facility.

Beds	Year 1	Year 1	Year 1	Year 1	Year 2	Year 2	Year 2	Year 2
	Admits	Pat. Days	ALOS	%Occ.	Admits	Pat. Days	ALOS	%Occ.
24 existing	204	7755	38	88.5%	204	7755	38	88.5%
6 Outstanding	48	1810	38	82.6%	48	1810	38	82.6%
24 Proposed	192	7240	38	82.6%	192	7240	38	82.6%
54 Total	444	16805	38	84.6%	444	16805	38	84.6%

17. Section B, Economic Feasibility, Item A.1 Project Cost Chart

The letter from Mr. Wagers indicates that \$1,240,000 is a sufficient estimate to complete the 24 bed project; however there are no construction costs in the Project Costs Chart. Please explain.

Response: That amount covers legal/consultant/administrative fees, plus both fixed and moveable equipment costs.

Please show the calculations that led to the determination that the fair market value of the leased space was actually higher than the lease expense over the initial term of the lease.

Response: The remaining term of the existing lease is 5 years, and the annual lease cost is \$500,000, resulting in a total lease commitment of \$2,500,000. The FMV of the space is \$9,000,000. Therefore, the FMV is actually higher than the lease expense for this project.

The request for an \$1,840 refund is noted and is being processed. Please submit a revised Project Costs Chart that reflects the corrected filing fee.

Response: Thank you. As a matter caution since the Applicant did not know if a refund would be available, the total amount of the filing fee check was included in the original submission. Please see replacement page 28.

18. Section B, Economic Feasibility, Item C – Projected Data Chart

Since this application will not be heard by the Agency any sooner than April 2018 and the applicant's Project Completion Chart indicates the beds will not go into service until August 2018, please submit a revised Projected Data Charts that reflect Years 2019 and 2020.

Response: Ignoring the fact that our fiscal year is different from the calendar year, we prefer to utilize "Year 1" and "Year 2" as the column designations. However, at your request, we will add the numbers 2019 and 2020 to these columns, even though the actual years may be different. Please see replacement pages 33 through 36.

For the Total Facility Projected Data Chart, there are miscalculations in the Year 1 column.

Response: The original submission of the Projected Data Chart for the Total Facility was incorrect. Please note the changes on pages 33 and 34.

For the Project Only Projected Data Chart, there are miscalculations in the Year 1 column and there is a typo in the "Supplies" line in Year 2.

Response: Please see replacement pages 35 and 36.

Please explain how the rent for the Project Only will be \$500,000 in Year 1 since the Option to Lease indicates the rent will be \$125,000 annually.

Response: The rent for the project only will be \$500,000 in Year 1, and the new Option to Lease reflects that number.

19. Section B, Economic Feasibility, Item F – Item 3 Capitalization Ratio

The capitalization ratio of 0.15% is noted. However, the ratio appears to calculate at 14.68%. Please clarify.

Response: You are correct, and 14.68% is the correct calculation. We misplaced the decimal point and committed a rounding error in the original submission.

20. Section B, Orderly Development, Item D (1))

The facility license provided by the applicant expired December 2, 2017. Please provide a copy of the facility license that is current.

Response: Please see Supplemental B.OD.D.1.

21. Section B. Quality Measures

Please discuss the applicant's commitment to the proposal in meeting appropriate quality standards by addressing each of the following factors:

- (a) Whether the applicant commits to maintaining an actual payor mix that is comparable to the payor mix projected in its CON application, particularly as it relates to Medicare, TennCare/Medicaid, Charity Care, and the Medically Indigent;**

Response: The Applicant so commits.

- (b) Whether the applicant commits to maintaining staffing comparable to the staffing chart presented in its CON application;**

Response: The Applicant so commits.

- (c) Whether the applicant will obtain and maintain all applicable state licenses in good standing;**

Response: The Applicant so commits.

- (d) Whether the applicant will obtain and maintain TennCare and Medicare certification(s), if participation in such programs was indicated in the application;**

Response: The Applicant so commits.

- (e) Whether an existing healthcare institution applying for a CON has maintained substantial compliance with applicable federal and state regulation for the three years prior to the CON application. In the event of non-compliance, the nature of non-compliance and corrective action shall be considered;**

Response: The Applicant so commits.

- (f) Whether an existing health care institution applying for a CON has been decertified within the prior three years. This provision shall not apply if a new, unrelated owner applies for a CON related to a previously decertified facility;**

Response: The Applicant so commits it has not been decertified.

- (g) Whether the applicant will participate, within 2 years of implementation of the project, in self-assessment and external peer assessment processes used by health care organizations to accurately assess their level of performance in relation to established standards and to implement ways to continuously improve.**

Response: The Applicant so commits.

- (h) Whether the applicant will participate, within 2 years of implementation of the project, in self-assessment and external peer assessment processes used by health care organizations to accurately assess their level of performance in relation to established standards and to implement ways to continuously improve.**

Response: The Applicant so commits.

- (i) 1. This may include accreditation by any organization approved by Centers for Medicare and Medicaid Services (CMS) and other nationally recognized programs. The Joint Commission or its successor, for example, would be acceptable if applicable.**

Response: The Applicant so commits to continue accreditation by CMS for Medicare. However, there is no requirement that LTACHs obtain Joint Commission accreditation.

In addition, we realized that we had not allocated all of the time available to us for hospital projects, and changed the Projected Completion Chart (and any references to project completion) to ensure we could use all of the three years available to us for hospital CON projects. To that extent, we changed pages 5, 26, 39, and 53.

OPTION TO LEASE

For and in consideration of \$1.00, cash in hand paid, the receipt of which is hereby acknowledged, and other good and valuable consideration, Shelby County Health Care Corporation, d/b/a Regional One Health ("ROH") hereby bargains, sells and grants to Regional MED Extended Care Hospital, LLC ("The LTACH"), its successors and assigns, the right and option to amend the current Lease Agreement between the parties dated September 23, 2013 (the "Lease"), to add an additional 24 beds and support space located on the third floor (3rd) floor of Turner Tower on the campus of ROH (the "Premises") to expand the LTACH's operation of a long term acute care hospital from thirty (30) beds to fifty-four (54) beds. The terms and conditions of the amendment to the Lease to be executed by and between the parties (the "Amendment") shall be in accordance with the terms and conditions set forth in this option and the Lease. If there is any conflict between the provisions of this Option to Lease and the Amendment, the provisions of the Amendment shall prevail. The LTACH must provide notice to ROH of its intention to exercise this Option, as provided below.

It is anticipated that the Amendment, when executed, shall be co-terminus with the Lease at an additional cost to The LTACH of Five Hundred Thousand Dollars (\$500,000) per year, and such Amendment shall be executed not later than three years after The LTACH receives approval of a Certificate of Need from the Tennessee Health Services and Development Agency for its hospital to be expanded in the Premises. If The LTACH does not file a Certificate of Need within ninety (90) days of execution of this Option to Lease, this Option to Lease shall terminate and be of no further force and effect. If The LTACH's Certificate of Need application is petitioned for a Contested Case Hearing, this Option to Lease shall continue in effect until ten (10) days following any favorable decision on the Contested Case Hearing. If the parties fail to reach agreement as to the terms and conditions of the Amendment within thirty (30) days after The LTACH gives notice of its intent to exercise its Option to Lease, then this Option shall terminate and be of no further force and effect.

The provisions of this Option shall be binding upon and inure to the benefit of both parties and their respective heirs, successors and assigns.

This Option shall be construed in accordance with and governed by the laws of the State of Tennessee. Time is expressly declared to be of the essence of this Option.

IN WITNESS WHEREOF, the parties have signed this option on this 11th day of January, 2018.

SHELBY COUNTY HEALTH CARE CORPORATION

BY: _____

J. Richard Wagers, Sr. EVP/CFO

Regional MED Extended Care Hospital, LLC

BY: _____

Mark A. Kelly, CEO/Administrator

Board for Licensing Health Care Facilities

State of Tennessee



DEPARTMENT OF HEALTH

No. of Beds 0000000186
0024

This is to certify, that a license is hereby granted by the State Department of Health to

REGIONAL MED EXTENDED CARE HOSPITAL, LLC

to conduct and maintain a

Hospital

REGIONAL ONE HEALTH EXTENDED CARE HOSPITAL

Located at 890 MADISON AVENUE, 4TH FLOOR, MEMPHIS

County of SHELBY, Tennessee.

This license shall expire DECEMBER 02, 2018, *and is subject*

to the provisions of Chapter 11, Tennessee Code Annotated. This license shall not be assignable or transferable, and shall be subject to revocation at any time by the State Department of Health, for failure to comply with the laws of the State of Tennessee or the rules and regulations of the State Department of Health issued thereunder.

In Witness Whereof, we have hereunto set our hand and seal of the State this 26TH *day of* OCTOBER, 2017.
In the District Category(ies) of: CHRONIC DISEASE HOSPITAL
PEDIATRIC BASIC HOSPITAL



DIRECTOR, DIVISION OF HEALTH CARE FACILITIES

By Lucius J. Davis, MPH

By John J. Davis
COMMISSIONER

- C. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map for the Tennessee portion of the service area using the map on the following page, clearly marked to reflect the service area as it relates to meeting the requirements for CON criteria and standards that may apply to the project. Please include a discussion of the inclusion of counties in the Border States, if applicable. **Attachment Section B.Need.C.**

Response: Please complete the following tables, if applicable:

Service Area Counties	Historical Utilization-County Residents	# and % of total patients
County #1	Shelby	98 and 50.0%
	Other Tennessee Counties	26 and 13.3%
Mississippi		37 and 18.9%
Arkansas		23 and 11.7%
	Other States	12 and 6.1%
Total		196 and 100%

Service Area Counties	Projected Utilization-Co. Residents-24 beds	# and % of total patients
County #1	Shelby	96 and 50.0%
	Other Tennessee Counties	24 and 12.5%
Mississippi		36 and 18.8%
Arkansas		24 and 12.5%
	Other States	12 and 6.3%
Total		192 and 100%

Service Area Counties	Projected Utilization-Co. Residents-54 beds	# and % of total patients
County #1	Shelby	216 and 50.0%
	Other Tennessee Counties	54 and 13.5%
Mississippi		81 and 18.7%
Arkansas		54 and 11.9%
	Other States	27 and 6.0%
Total		432 and 100%

The chart below shows that, considering Shelby County, only, there would be a bed need for approximately 49 LTACH beds in 2019, and there currently exist 93 LTACH beds, plus the Applicant has been approved for an additional six (6) beds. See attached TDOH LTACH Bed Need Chart.

	Population		0.5 LTACH bed X (10,000 population)		Current licensed & approved beds	Net Need	
	2018	2020	2018	2020	2018	2018	201920
Shelby County	970,212	981,022	49	50	99	(50)	(49)

The facility's existing service area is primarily Shelby County, Tennessee, plus border counties of Mississippi and Arkansas. However, as the service being provided is very specialized, patients originate from a wide geographic area. A few of our patients originate in some of the western counties in Tennessee and Missouri and Alabama, but not enough to be included in the primary service area. As shown on Attachment B.Need.C, in 2015, approximately 83% of the Applicant's patients from Tennessee originated from Shelby County, approximately 53% of all patients originated from Shelby County, approximately 63% of its patients originated from Tennessee and approximately 37% of its patients came from out of state. Regarding the out of state patients, about 57% originated from Mississippi, and about 40% came from Arkansas. The approval of these relatively few beds is not expected to alter the existing service area of the Applicant.

Also, the Historic Utilization chart above is based on the 2016 JAR, which is the latest JAR available on the State's website.

Finally, regarding our service area, due to the unique and specialized nature of the services provided, LTACHs draw from a wide geographic area. All of the LTACHs in West Tennessee are in Shelby County, and the Applicant's primary service area consists of Shelby County and coterminous counties in Mississippi and Arkansas. A question has arisen regarding LTACHs geographically close to Memphis. There are no LTACHs in Tennessee between Memphis and Nashville. The closest LTACHs to Memphis are out of state, as explained below.

In searching the American Hospital Directory, there are only three LTACHs within 75 miles of zip code 38103 (the Applicant's zip code), and all three are in Memphis (Shelby County):

- Baptist Memorial Restorative Care Hospital (30 beds);
- Regional One Health Extended Care Hospital (24 beds); and
- Select Specialty Hospital – Memphis (39 beds).

Expanding the search to 100 miles, there is only one additional LTACH in addition to the above which is Advanced Care Hospital of White County (27 beds in Searcy, Arkansas).

Extended to 120 miles, there is only one additional LTACH in addition to the above which is AMG Specialty Hospital of Greenwood (40 beds in Greenwood, Mississippi).

Extending to 150 miles of zip code 38103, the total list of LTACHs is as follows:

- Baptist Memorial Restorative Care Hospital (30 beds in Memphis);
- Regional One Health Extended Care Hospital (24 beds in Memphis);
- Select Specialty Hospital – Memphis (39 beds in Memphis);
- Advanced Care Hospital of White County (27 beds in Searcy, Arkansas);
- AMG Specialty Hospital of Greenwood (40 beds in Greenwood, Mississippi);
- Allegiance Specialty Hospital of Greenville (39 beds in Greenville, Mississippi);
- Baptist Health Extended Care Hospital (55 beds in Little Rock, Arkansas); and
- Cornerstone Hospital Little Rock (40 beds in Little Rock, Arkansas).

D. 1). a) Describe the demographics of the population to be served by the proposal.

Response: Shelby County is an urban county with almost one million population covering approximately 763 square miles in the lower left corner of Tennessee. Memphis is the county seat. Approximately 30% of the population has a college degree or higher, and about 20% of the population lives in poverty. Approximately 12.5% of the population is over the age of 65, about 41% is white, and approximately 54% is black or African American. The median value of owner-occupied housing is \$130,000 (from 2011 – 2015), and there are about 347,224 households in Shelby County (from 2011 – 2015). Please see Attachment B.Need.D.1.a for more quick facts about Shelby County.

b) Using current and projected population data from the Department of Health, the most recent enrollee data from the Bureau of TennCare, and demographic information from the US Census Bureau, complete the following table and include data for each county in your proposed service area.

Projected Population Data: <http://www.tn.gov/health/article/statistics-population>

TennCare Enrollment Data: <http://www.tn.gov/tenncare/topic/enrollment-data>

Census Bureau Fact Finder: <http://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml>

Response: See the following chart:

Demographic Variable/Geographic Area	Department of Health/Health Statistics							Bureau of the Census				TennCare	
	Total Population-Current Year	Total Population-Projected Year	Total Population-% Change	*Target Population-Current Year	*Target Population-Projected Year	*Target Population-% Change	Target Population Projected Year as %	Median Age	Median Household Income	Person Below Poverty Level	Person Below Poverty Level as % of	TennCare Enrollees	TennCare Enrollees as % of Total
Shelby County	970212	981022	+1.1	125389	135234	+7.9	13.3	34.6	\$46,224	140398	16.0	249268	25.8
Service Area Total	970212	981022	+1.1	125389	135234	+7.9	13.3	34.6	\$46,224	140398	16.0	249268	25.8
State of TN Total	6960524	7112424	+2.2	1175938	1267962	7.8	17.3	38.4	\$45,219	1117594	15.9	1412063	20.5

** Target Population is population that project will primarily serve. For example, nursing home, home health agency, hospice agency projects typically primarily serve the Age 65+ population; projects for child and adolescent psychiatric services will serve the Population Ages 0-19. Projected Year is defined in select service-specific criteria and standards. If Projected Year is not defined, default should be four years from current year, e.g., if Current Year is 2016, then default Projected Year is 2020.*

Long Term Acute Care Hospital services affect all ages. However, for purposes of this question, the "Target Population" will include those aged 65 and over. The chart above reflects that assumption.

Total Population, Current Year shows data for 2018, and Total Population, Target Year, shows data for 2020.

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- 2) Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

Response: Shelby County, TN is a medically underserved area, according to Health Resources and Services Administration. The addition of more LTACH beds in the county will add more health care services in the county. Further, while the Applicant will serve all people who present and qualify for nursing services, such services normally target the elderly population. While the elderly population (aged 65+) makes up 17.3% of the population of Tennessee, that same segment of the population represents only 13.3% of the population of Shelby County. Obviously, the population of Shelby County is statistically younger than is the population of the state of Tennessee. Since there are twice as many patients in the existing LTACHs in 2015 than the entire bed need for Shelby County indicated, LTACH patients are obviously originating from other areas. This is in keeping with statements made here and elsewhere about the unique nature of LTACH services, and the wide geographic draw such facilities have. As an example, in 2015 while there were 95 patients from Shelby County at our facility, there were another 38 patients from border counties of Mississippi and 27 patients from border counties of Arkansas. Therefore, the population being served by the Applicant, and these addition requested beds, are in more need of such services than just the population of only Shelby County indicates. The unique nature of the LTACH services we provide indicates special needs for all of the patients we serve, not just those from Shelby County. See Attachment B.Need.D.2 for a list of the MUA tracts and Attachment B.Need.D.3 for a listing of primary care shortage areas in Shelby County.

- E. Describe the existing and approved but unimplemented services of similar healthcare providers in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. List each provider and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: Admissions or discharges, patient days, average length of stay, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc. This doesn't apply to projects that are solely relocating a service.

Response: Selected JAR utilization/statistics for the first 3 LTACHS located in Shelby County (not the Applicant) and listed in that order are indicated in the chart below. These numbers are taken off the most recent JARs available (2015).

The Applicant (Regional MED Extended Care Hospital, LLC, d/b/a Regional One Health Extended Care Hospital, noted as "Regional Med" in the chart below) lists data for 2017, our most recent data. It is important to note that the Applicant was staffing only 21 beds until recently, when demand necessitated the staffing of the additional 3 beds. This restriction is a reflection of the layout of our beds, and staffing the additional three (3) beds on the fourth floor originally resulted in financial loss for those 3 beds. Therefore, the fact that we averaged 20.21 patients in a 21 bed facility is indicative of how our existing staffed beds are utilized to capacity.

Facility	# beds	# pts	Occ Rate	Gross	Adj.	Net
Baptist	30	22.89	76.3%	\$6,987.64	\$5,283.73	\$1,703.91
Methodist	36	31.46	87.4%	\$4,023.54	\$2,661.94	\$1,361.60
Select Specialty	39	36.66	94.0%	\$10,507.78	\$7,388.76	\$3,119.02
Regional MED	24	20.21	84.2%	\$8,499.58	\$6,683.20	\$1,816.38
Total	129	111.22	86.2%			

NOTE: Gross = Gross Operating Revenue per Patient Day
 Adj. = Contractual Adjustments per Patient Day
 Net = Net Operating Revenue per Patient Day

Also, Methodist LTACH closed on June 20, 2016, and its license has been surrendered. In addition, Select Specialty Hospital recently (July 10, 2017) voluntarily surrendered its approved CON for 24 additional LTACH beds. As a result, sixty (60) approved LTACH beds have recently been surrendered to either the Board of Licensing Health Care Facilities or the Health Services and Development Agency.

Other utilization data includes the following:

LTACH Utilization Trends-2014-2016

Facility	Licensed Beds	2014 Admissions	2015 Admissions	2016 Admissions	2014 Average Length of Stay	2015 Average Length of Stay	2016 Average Length of Stay
Baptist	30	259	250	214	32.8	33.4	32.9
Methodist	36	435	424	172	27.0	27.1	12.9
Select Specialty	39	422	265	344	32.5	50.5	30.0
Regional MED	24	63	181	196	27.2	37.9	36.5
Total	129	1179	1120	926	30.3	35.8	31.7

Source: LTACH JAR, 2014-2016 (Note: Methodist closed in June, 2016)

Please note in both the preceding chart and the following chart that the Applicant, Regional MED LTACH, was not open in 2013, and was open for only part of 2014.

LTACH Utilization Trends-2014-2016

Facility	Licensed Beds	2014 Patient Days	2015 Patient Days	2016 Patient Days	'14- '16 % change	2014 % Occupancy	2015 % Occupancy	2016 % Occupancy
Baptist	30	8,499	8,354	7,041	-17.2%	77.2%	76.3%	64.3%
Methodist	36	11,752	11,485	4,808	-59.1%	89.4%	87.4%	36.6%
Select Specialty	39	13,724	13,388	10,311	-24.9%	96.4%	94.0%	72.4%
Regional MED	24	1,711	6,854	7,160	+318.5%	19.5%	78.2%	81.7%
Total	129	35,686	40,081	29,320	+18.25%	75.7%*	85.1%	62.3%

Source: LTACH JAR, 2014-2016 (Note: Methodist closed in June, 2016)

*based on 105 beds, since Regional Med was not in existence in 2013

In addition, the total equivalent inpatient cost per day at Regional One Health is \$3,137. The total operating expenses per day for Regional One Health Extended Care Hospital is \$1,730. With a daily differential of \$1,407 multiplied by the length of stay as reported on the most recently filed cost report of 33.75 days, the savings to retaining the patient at the short term acute care venue would average \$47,486 per Medicare patient.

PROJECT COST CHART

A. Construction and equipment acquired by purchase:		
1. Architectural and Engineering Fees		
2. Legal, Administrative (Excluding CON Filing Fee), Consultant Fees		40,000
3. Acquisition of Site		
4. Preparation of Site		
5. Total Construction Costs		
6. Contingency Fund		
7. Fixed Equipment (Not included in Construction Contract)		800,000
8. Moveable Equipment (List all equipment over \$50,000 as separate attachments)		400,000
9. Other (Specify) _____		
B. Acquisition by gift, donation, or lease:		
1. Facility (inclusive of building and land) (FMV of leased space)		6,210,000
2. Building only		
3. Land only		
4. Equipment (Specify) _____ (by lease)		1,230,000
5. Other (Specify) _____		
C. Financing Costs and Fees:		
1. Interim Financing		
2. Underwriting Costs		
3. Reserve for One Year's Debt Service		
4. Other (Specify) _____		
D. Estimated Project Cost (A+B+C)		8,680,000
E. CON Filing Fee (Overpaid by \$1,840)		49,910
F. Total Estimated Project Cost (D+E)	TOTAL	8,729,910

PROJECTED DATA CHART

January 29, 2018
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☐ Total Facility
☐ Project Only

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in July (Month).

	Year 1 (2019)	Year 2 (2020)
A. Utilization Data (Specify unit of measure, e.g., 1,000 patient days, 500 visits) Patient Days.	<u>16,805</u>	<u>16,805</u>
B. Revenue from Services to Patients		
1. Inpatient Services	<u>\$137,801,340</u>	<u>\$137,801,340</u>
2. Outpatient Services		
3. Emergency Services		
4. Other Operating Revenue (Specify) vending, food, rebates		
Gross Operating Revenue	<u>\$137,801,340</u>	<u>\$137,801,340</u>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	<u>\$106,440,421</u>	<u>\$106,440,421</u>
2. Provision for Charity Care	<u>541,138</u>	<u>541,138</u>
3. Provisions for Bad Debt	<u>558,982</u>	<u>558,982</u>
Total Deductions	<u>\$107,540,541</u>	<u>\$107,540,541</u>
NET OPERATING REVENUE	<u>\$30,260,799</u>	<u>\$30,260,799</u>
D. Operating Expenses		
1. Salaries and Wages		
a. Direct Patient Care	<u>9,257,073</u>	<u>9,442,214</u>
b. Non-Patient Care	<u>921,025</u>	<u>939,447</u>
2. Physician's Salaries and Wages		
3. Supplies	<u>5,731,175</u>	<u>5,844,575</u>
4. Rent		
a. Paid to Affiliates	<u>1,042,500</u>	<u>1,063,350</u>
b. Paid to Non-Affiliates	<u>440,000</u>	<u>448,800</u>
5. Management Fees:		
a. Paid to Affiliates		
b. Paid to Non-Affiliates	<u>385,295</u>	<u>393,002</u>
6. Other Operating Expenses	<u>4,131,473</u>	<u>4,214,102</u>
Total Operating Expenses	<u>\$21,908,541</u>	<u>\$22,345,490</u>
E. Earnings Before Interest, Taxes and Depreciation	<u>\$8,352,258</u>	<u>\$7,915,309</u>
F. Non-Operating Expenses		
1. Taxes	<u>\$</u>	<u>\$</u>
2. Depreciation		
3. Interest		
4. Other Non-Operating Expenses		
Total Non-Operating Expenses	<u>\$</u>	<u>\$</u>
NET INCOME (LOSS)	<u>\$8,352,258</u>	<u>\$7,915,309</u>

Chart Continues Onto Next Page

NET INCOME (LOSS)**Supplemental #1****January 29, 2017** ~~January 29, 2017~~**2:07 PM****G. Other Deductions**

1. Estimated Annual Principal Debt Repayment
2. Annual Capital Expenditure

\$

\$

Total Other Deductions

\$

\$

NET BALANCE\$8,352,258\$7,915,309**DEPRECIATION**

\$

\$

FREE CASH FLOW (Net Balance + Depreciation)\$8,352,258\$7,915,309

- ☐ Total Facility
☐ Project Only

PROJECTED DATA CHART-OTHER EXPENSES**OTHER EXPENSES CATEGORIES**

	Year 1	Year 2
	<u>2019</u>	<u>2020</u>
1. Professional Services Contract	<u>\$1,435,479</u>	<u>\$1,464,189</u>
2. Contract Labor	<u>25,000</u>	<u>25,500</u>
3. Imaging Interpretation Fees	<u>95,000</u>	<u>96,900</u>
4. Benefits	<u>1,617,435</u>	<u>1,649,784</u>
5. General and Administrative	<u>500,000</u>	<u>510,000</u>
6. Other	<u>458,559</u>	<u>467,729</u>
Total Other Expenses	<u>\$4,131,473</u>	<u>\$4,214,102</u>

NOTE: The amounts under "Paid to Non Affiliates" are the anticipated costs to self-manage the facility.

PROJECTED DATA CHART

January 29, 2018 ☐ Total Facility
 2:07 PM ☐ Project Only

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in July (Month).

	Year 1 (2019)	Year 2 (2020)
A. Utilization Data (Specify unit of measure, e.g., 1,000 patient days, 500 visits) Patient Days.	<u>7,240</u>	<u>7,240</u>
B. Revenue from Services to Patients		
1. Inpatient Services	<u>\$59,368,000</u>	<u>\$59,368,000</u>
2. Outpatient Services		
3. Emergency Services		
4. Other Operating Revenue (Specify)Vending, Food, Rebates		
Gross Operating Revenue	<u>\$59,368,000</u>	<u>\$59,368,000</u>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	<u>\$45,855,976</u>	<u>\$45,855,976</u>
2. Provision for Charity Care	<u>151,352</u>	<u>151,352</u>
3. Provisions for Bad Debt	<u>323,592</u>	<u>323,592</u>
Total Deductions	<u>\$46,330,920</u>	<u>\$46,330,920</u>
NET OPERATING REVENUE	<u>\$13,037,080</u>	<u>\$13,037,080</u>
D. Operating Expenses		
1. Salaries and Wages		
a. Direct Patient Care	<u>2,716,820</u>	<u>2,771,156</u>
b. Non-Patient Care	<u>270,308</u>	<u>275,716</u>
2. Physician's Salaries and Wages		
3. Supplies	<u>2,841,752</u>	<u>2,897,364</u>
4. Rent		
a. Paid to Affiliates	<u>500,000</u>	<u>510,000</u>
b. Paid to Non-Affiliates		
5. Management Fees:		
a. Paid to Affiliates		
b. Paid to Non-Affiliates		
6. Other Operating Expenses	<u>465,200</u>	<u>474,504</u>
Total Operating Expenses	<u>\$6,794,080</u>	<u>\$6,928,740</u>
E. Earnings Before Interest, Taxes and Depreciation	<u>\$6,243,000</u>	<u>\$6,108,340</u>
F. Non-Operating Expenses		
1. Taxes	\$	\$
2. Depreciation		
3. Interest		
4. Other Non-Operating Expenses		
Total Non-Operating Expenses	\$	\$
NET INCOME (LOSS)	<u>\$6,243,000</u>	<u>\$6,108,340</u>

Chart Continues Onto Next Page

Supplemental #1**January 29, 2018****NET INCOME (LOSS)****2,907,400** **\$6,108,340****G. Other Deductions**

1. Estimated Annual Principal Debt Repayment

\$

\$

2. Annual Capital Expenditure

Total Other Deductions

\$

\$

NET BALANCE\$6,243,000\$6,108,340**DEPRECIATION**

\$

\$

FREE CASH FLOW (Net Balance + Depreciation)\$6,243,000\$6,108,340☐ Total Facility☐ Project Only**PROJECTED DATA CHART-OTHER EXPENSES****OTHER EXPENSES CATEGORIES****Year 2019****Year 2020**

1. Professional Services Contract

\$

\$

2. Contract Labor

3. Imaging Interpretation Fees

4. Benefits

465,200474,504

5. General and Administrative

6. Other

Total Other Expenses\$465,200\$474,504**NOTE:** The amounts under "Paid to Affiliates" are the anticipated costs to self-manage the facility.

- 3) Capitalization Ratio (Long-term debt to capitalization) – Measures the proportion of debt financing in a business's permanent (Long-term) financing mix. This ratio best measures a business's true capital structure because it is not affected by short-term financing decisions. The formula for this ratio is: $[\text{Long-term debt} / (\text{Long-term debt} + \text{Total Equity (Net assets)})] \times 100$.

Response: For the entity (applicant and/or parent company) that is funding the proposed project please provide the capitalization ratio using the most recent year available from the funding entity's audited balance sheet, if applicable. The Capitalization Ratios are not expected from outside the company lenders that provide funding.

$$\frac{\text{Long Term Debt}}{(\text{Long Term Debt} + \text{Total Equity}) \times 100} = \frac{0}{(0 + 11846000) \times 100} = 0$$

For Owner:

$$\frac{\text{Long Term Debt}}{(\text{Long Term Debt} + \text{Total Equity}) \times 100} = \frac{41,829,738}{(41,829,738 + 242,947,894) \times 100} = 0.001468 \text{ or } 14.68\%$$

January 29, 2018

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Response: Based on the Year 1 budget projections, and assuming the project is approved and initiated within the timeframe as indicated, the long term acute care hospital is anticipated to realize a positive cash flow in the first year following completion of the addition. We believe the additional beds will fill up quickly, when opened.

January 29, 2018

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- F. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three years and the projected annual utilization for each of the two years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology **must include** detailed calculations or documentation from referral sources, and identification of all assumptions.

Response: Based on licensed beds (24), the Applicant has operated at 78.4%, 81.7%, and 84.2% during 2015, 2016, and 2017, respectively. These respective rates would increase to 89.5%, 92.4% and 96.3% based on staffed beds (21). As stated, the Applicant has recently staffed all 24 of its licensed beds. In any regard, the increase in occupancy rate at our hospital, coupled with the closing of Methodist and surrender of beds at Select, indicates a need for more beds.

The Applicant anticipates the occupancy rates for the first two years following completion of the project as follows: Total Facility, 87.4% each year; and the 24 bed addition, only, 82.6% each year. These estimates are based on actual utilization experience of the former management company when adding similar numbers of beds to similarly-sized facilities in the past. The only assumption being made is that all of the similar additions that the management company have experienced in the past will replicate on this project. There is nothing known that indicates the facility, the locale, or the population to be served is statistically different from past experience. Further, the recent loss of LTACH beds (detailed below) indicates that the new beds will be filled quickly, when opened.

Finally, Methodist LTACH (36 beds) closed on June 20, 2016, and its license has been surrendered. In addition, Select Specialty Hospital recently (July 10, 2017) voluntarily surrendered its approved CON for 24 additional LTACH beds. As a result, sixty (60) approved LTACH beds have recently been surrendered to either the Board of Licensing Health Care Facilities or the Health Services and Development Agency.

January 29, 2013

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- F. 1) Discuss how projected utilization rates will be sufficient to support the financial performance. Indicate when the project's financial breakeven is expected and demonstrate the availability of sufficient cash flow until financial viability is achieved. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For all projects, provide financial information for the corporation, partnership, or principal parties that will be a source of funding for the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as **Attachment Section B-Economic Feasibility-F1**. **NOTE: Publicly held entities only need to reference their SEC filings.**

Response: Based on the Year 1 budget projections, and assuming the project is approved and is initiated within the timeframe as indicated, the long term acute care hospital is anticipated to realize a positive cash flow in the first year following completion of the addition. We believe the additional beds will fill up quickly, when opened.

Financials are included as Attachment B.EconomicFeasibility.F.1.

- 2) Net Operating Margin Ratio – Demonstrates how much revenue is left over after all the variable or operating costs have been paid. The formula for this ratio is: (Earnings before interest, Taxes, and Depreciation/Net Operating Revenue).

Response: Utilizing information from the Historical and Projected Data Charts please report the net operating margin ratio trends in the following table:

Year	2nd Year previous to Current Year	1st Year previous to Current Year	Current Year	Projected Year 1	Projected Year 2
Net Operating Margin Ratio	22.8%	4.9%	4.7%	12.2%	10.5%

It is common for new long term acute care hospitals to have a higher cost to charge ratio upon start-up of operations. Given that Medicare reimburses hospitals for patients who greatly exceed the anticipated length of stay (referred to as outliers) based on the cost to charge ratio, and the long term acute care hospital had a significant number of outliers which were reimbursed under this methodology, there was a larger net operating margin in our initial year of operations than in more current years.

PROJECT COMPLETION FORECAST CHART

Assuming the Certificate of Need (CON) approval becomes the final HSDA action on the date listed in Item 1 below, indicate the number of days from the HSDA decision date to each phase of the completion forecast.

Phase	Days Required	Anticipated Date [Month/Year]
1. Initial HSDA decision date		04/2018
2. Architectural and engineering contract signed		
3. Construction documents approved by the Tennessee Department of Health		
4. Construction contract signed		
5. Building permit secured		
6. Site preparation completed		
7. Building construction commenced		
8. Construction 40% complete		
9. Construction 80% complete		
10. Construction 100% complete (approved for occupancy)		
11. *Issuance of License		03/2021
12. *Issuance of Service		04/2021
13. Final Architectural Certification of Payment		
14. Final Project Report Form submitted (Form HR0055)		

*For projects that **DO NOT** involve construction or renovation, complete Items 11 & 12 only.

NOTE: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date

2018

Supplemental #1

January 29, 2018

2:07 PM

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY: Regional One Extended Care Facility, CN1801-003

I, E. Graham Baker, Jr., after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete to the best of my knowledge, information and belief.


Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 01st day of January, 2018, witness my hand at office in the County of Davidson, State of Tennessee.


NOTARY PUBLIC

My commission expires 07/05, 2021.



HF-0043

Revised 7/02

Supplemental #2 (Original)

Regional One Extended
Care Hospital

CN1801-003

JAN 31 '18 AM 10:22

Supplemental #2

January 31, 2018

10:22 A.M.

ANDERSON & BAKER

An Association of Attorneys

**2021 RICHARD JONES ROAD, SUITE 120
NASHVILLE, TENNESSEE 37215-2874**

ROBERT A. ANDERSON

Direct: 615-383-3332

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Direct: 615-370-3380

Facsimile: 615-221-0080

January 30, 2018

Mark A. Farber, Deputy Director
State of Tennessee
Health Services and Development Agency
Andrew Jackson State Office Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

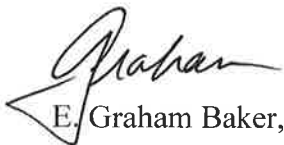
Hand-Delivered

Re: Certificate of Need Application CN1801-003
Regional One Extended Care Hospital
Supplemental Responses 2

Dear Mr. Farber:

Please find attached the Applicant's responses to your second set of Supplemental Questions.
Please contact me if you have any additional questions.

Sincerely,



E. Graham Baker, Jr.

Encl: As Noted

1. Section A, Executive Summary, Overview, A.1.

Your response regarding the 25% rule is noted. If and when this rule is put into effect, what would be the expected reimbursement adjustment for patients from the host hospital that were above the 25% limitation?

Response: For discharges which occur beyond the threshold percentage applicable to the facility, reimbursement would be the lesser of a payment based on the LTACH DRG or an amount equivalent to what CMS would have paid under the short term acute care payment structure. Specifically, there would be a 40% reduction in reimbursement.

While we do not anticipate the imposition of the threshold rule, should it be imposed, the impact may be \$3,026,710. This was calculated by taking the Net Revenue of \$30,267,099 times 25% times 40%. Please see calculation below.

$$\$30,267,099 \text{ times } 25\% = \$7,566,775 \text{ times } 40\% = \$3,026,710.$$

We do not believe this threshold rule will be imposed any time soon due to the reimbursement changes that are addressed in Question #4 of these Supplemental Responses. In addition, even if the threshold rule is implemented and we lose the maximum amount mentioned above, we will still have a positive cash flow and can continue to provide this needed care.

2. Section A, Project Details, Item 6B-(2) Floor Plan

The floor plan for the 3rd floor is noted. There only appears to be 23 rooms identified as patient rooms. Will there be 23 or 24 patient rooms on the 3rd floor?

Response: There are 24 patient rooms on the 3rd floor. The copy that was originally submitted incorrectly labeled room 3064 as a converted activity room. In fact, room 3064 is a patient room. Attached is a Revised Supplemental 3rd Floor which does list all 24 patient rooms.

3. Section B, Need, Item E

The replacement page 25 is noted. The table indicates that LTACH patient days in the service area increased 18.25% between 2014 and 2016; however, they decreased 17.8% during that time period.

Please make the necessary changes and submit a revised replacement page 25.

Response: Please see revised replacement page 25.

4. Section B, Need, Item F.

Your response to this item is noted. It is understood that the additional 24 beds are being requested to accommodate additional demand for these beds; however, in 2016 the applicant reports 7,041 patient days and in Year 1 after the 6 outstanding beds and the 24 proposed beds are in place, patient days are projected to be 16,805 patient days, a 139% increase over 2016.

Additionally, it is understood that Methodist closed its 36 bed unit in 2016 which accounts for that facility's decline in patient days and that Select Specialty chose not to implement its CON to add 28 beds; however other than Regional MED that was ramping up its service starting in 2014, the other LTACH providers reported declines in patient days. In fact, overall LTACH patient days declined 17.8% between 2014 and 2016.

Please provide the assumptions and detailed calculations on how the applicant expects to realize this level of projected growth.

Response: Historically, there has been some concern that some LTACHs should be providing care to a greater mix of higher acuity level patients in this post-acute setting. To remedy this, nearly 2 years ago CMS established new medical acuity criteria in order for LTACHs to receive the 100% LTACH reimbursement rate. Without going into all the changes in the program, part of this change will eventually require that at least fifty percent (50%) of the hospital's LTACH patients meet these new acuity criteria in order to receive payment for any patients at the 100% LTACH rate. Currently, however, many LTACHs are struggling to maintain profitability at high census levels with only 50% of patients at full LTACH reimbursement. Further, many older LTACHs were not developed to provide care for a > 50% mix of these higher acuity patients, who require nearly ICU level nursing care. However, the Applicant opened and was developed to be able to accommodate this particular high acuity level of medical care, given that our host hospital, Regional One Health, is a Level I Trauma Center and Burn Center which refers very sick patients to us. In fact, over 80% of our patients consistently qualify for the full LTACH reimbursement, and thus our case mix index has increased from 1.3 to 1.6 since the new CMS rules were implemented nearly 2 years ago. Further, our occupancy rate is increasing as others in the market have not been able to change their care models to accommodate this higher mix of high acuity patient. As such, the other LTACHs in Memphis are experiencing decreasing reimbursement levels and/or their occupancy rates are decreasing to maintain the 50% high acuity criteria.

Those LTACHs maintaining at least a 50% high acuity mix through 2020, will be receive 100% LTACH reimbursement for all patients in 2021. Prior to 2021, the Applicant will continue to be able to accommodate more of these high acuity level patients than other LTACHs in the community, plus this project will enable us to be able to afford a higher mix of the lower acuity level patients that are simply not receiving care elsewhere in an LTACH. Once we receive 100% LTACH reimbursement for all patients in 2021, we will be able to accommodate even more lower acuity level patients.

5. Section B, Economic Feasibility, Item A.1 Project Cost Chart

Your response to this item is noted. You have indicated that the FMV of the space is \$9,000,000; however, the replacement Project Cost Chart indicates that the FMV is \$6,210,000.

Please address this discrepancy.

Response: You are correct. The Applicant's contact confused two numbers in the Supplemental Response: (1) the estimated total project cost (originally reported as approximately \$9,000,000, later reduced to \$8,680,000); and (2) the FMV of the space allocated for the 24 beds on the 3rd floor of Turner Tower (\$6,210,000). The Project Cost Chart is correct as submitted. The Supplemental Response should have read as follows:

"The remaining term of the existing lease is 5 years, and the annual lease cost is \$500,000, resulting in a total lease commitment of \$2,500,000. The FMV of the space is \$6,210,000. Therefore, the FMV is actually higher than the lease expense for this project."

Please note in both the preceding chart and the following chart that the Applicant, Regional MED LTACH, was not open in 2013, and was open for only part of 2014.

LTACH Utilization Trends-2014-2016

Facility	Licensed Beds	2014 Patient Days	2015 Patient Days	2016 Patient Days	'14- '16 % change	2014 % Occupancy	2015 % Occupancy	2016 % Occupancy
Baptist	30	8,499	8,354	7,041	-17.2%	77.2%	76.3%	64.3%
Methodist	36	11,752	11,485	4,808	-59.1%	89.4%	87.4%	36.6%
Select Specialty	39	13,724	13,388	10,311	-24.9%	96.4%	94.0%	72.4%
Regional MED	24	1,711	6,854	7,160	+318.5%	19.5%	78.2%	81.7%
Total	129	35,686	40,081	29,320	-17.8%	75.7%*	85.1%	62.3%

Source: LTACH JAR, 2014-2016 (Note: Methodist closed in June, 2016)

In addition, the total equivalent inpatient cost per day at Regional One Health is \$3,137. The total operating expenses per day for Regional One Health Extended Care Hospital is \$1,730. With a daily differential of \$1,407 multiplied by the length of stay as reported on the most recently filed cost report of 33.75 days, the savings to retaining the patient at the short term acute care venue would average \$47,486 per Medicare patient.

Further, since our most recent ALOS is 33.75 days, each bed would “turn over” 10.8 times per year. This means that the addition of 24 LTACH beds, operating at 100% utilization with Medicare patients, would result in potential of annual savings to Medicare of \$12,308,371.20.

JAN 31 '18 AM 10:23

Supplemental #2

January 31, 2018

10:22 A.M.

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY: Regional One Extended Care Facility, CN1801-003

I, E. Graham Baker, Jr., after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete to the best of my knowledge, information and belief.



Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 30th day of January, 2018, witness my hand at office in the County of Davidson, State of Tennessee.



NOTARY PUBLIC

My commission expires JULY 05, 2021.

HF-0043

Revised 7/02

